Supreme Court, U.S.
FILED

(1) 96 783 NOV 19 1996

OFFICE OF THE CLERK

No. 96-

IN THE

Supreme Court of the United States

OCTOBER TERM, 1996

HOLIDAY INNS, INC.,

Petitioner,

v.

800 RESERVATION, INC., *et al.*,

Respondents.

On Petition For A Writ of Certiorari
To The United States Court of Appeals
For The Sixth Circuit

PETITION FOR A WRIT OF CERTIORARI

THOMAS L. GERBER
HOLIDAY INN WORLDWIDE
Corporate Headquarters
Suite 2900
Three Ravinia Drive
Atlanta, Georgia 30346

THEODORE B. OLSON
Counsel of Record
THOMAS G. HUNGAR
RAYMOND KU
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500

LAURENCE R. HEFTER
B. BRETT HEAVNER
FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER LLP
1300 I Street, N.W.
Washington, D.C. 20005

Attorneys for Petitioner

10 5 PP

QUESTIONS PRESENTED

1. Whether the court of appeals erred in holding that use of the plaintiff's mark or a "copy" or "facsimile" of that mark is a threshold prerequisite to liability under the Lanham Act.

2. Whether the court of appeals erred in holding that active promotion of the infringing mark or symbol is an essential element of liability under the Lanham Act.

3. Whether the determination of likelihood of confusion under the Lanham Act is a question of law reviewable *de novo* on appeal or a question of fact reviewable only for clear error.

PARTIES INVOLVED AND RULE 29.6 STATEMENT

In addition to the parties set forth in the caption, respondents include Earthwinds Travel, Inc., doing business as Earthwinds Travel Agency, and Call Management Systems, Inc. Pursuant to Rule 29.6 of the Rules of this Court, petitioner Holiday Inns, Inc., states that its ultimate parent company is Bass PLC and that it has no nonwholly owned publicly traded subsidiaries.

TABLE OF CONTENTS

QUESTIONS PRESENTED i

PARTIES INVOLVED AND RULE 29.6 STATEMENT ii

TABLE OF AUTHORITIES v

OPINIONS BELOW 1

JURISDICTION 1

STATUTORY PROVISIONS INVOLVED 1

STATEMENT OF THE CASE 2

I. Factual Background 2

II. Proceedings in the District Court 5

III. Proceedings in the Court of Appeals 8

REASONS FOR GRANTING THE WRIT 10

I. The Decision Below Creates A Circuit Conflict By Holding That Use Of The Plaintiff's Mark Or A "Copy" Or "Facsimile" Of That Mark Is A Threshold Prerequisite To Liability Under The Lanham Act 10

A. The Decision Below Conflicts With Cases Holding That "Likelihood Of Confusion" Is The Exclusive Test Of Liability Under The Lanham Act 13

B. The Decision Below Conflicts With Cases Holding That Use Of A Confusing Or Deceptive Mark Or Symbol Can Violate The Lanham Act Even If The Defendant Did Not Use The Plaintiff's Mark Or A "Copy" Or "Facsimile" Thereof 17

II. The Lower Federal Courts Are Divided Over The Question Whether Active Promotion Of The Defendant's Infringing Mark Or Symbol Is A Prerequisite To Liability Under The Lanham Act 22

III. This Case Presents An Opportunity To Resolve The Longstanding Decisional Conflict Over The Question Whether The Ultimate "Likelihood Of Confusion" Determination Is An Issue Of Fact Or Law 25

CONCLUSION 29

APPENDIX A 1a

APPENDIX B 19a

APPENDIX C 39a

APPENDIX D 52a

APPENDIX E 63a

TABLE OF AUTHORITIES

Cases

Actmedia, Inc. v. Active Media Int'l Inc., No. 96C3448, 1996 WL 466527 (N.D. Ill. July 17, 1996).....22

American Airlines, Inc. v. A 1-800-A-M-E-R-I-C-A-N Corp., 622 F. Supp. 673 (D.C. Ill. 1985).....22

American Steel Foundries v. Robertson, 269 U.S. 372 (1926).....20

AMF Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979).....15,16

Anheuser-Busch, Inc. v. Balducci Publications, 28 F.3d 769 (8th Cir. 1994), *cert. denied*, 115 S. Ct. 903 (1995)..... 26-27

Beer Nuts, Inc. v. Clover Club Foods Co., 805 F.2d 920 (10th Cir. 1986)..... 14,15,16,17,18

Bertolli USA, Inc. v. Filippo Bertolli Fine Foods, Ltd., 662 F. Supp. 203 (S.D.N.Y. 1987).....24

Bill Rivers Trailers, Inc. Thermo King Corp., 478 F.2d 1243 (C.C.P.A. 1973).....19

Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc., 973 F.2d 1033 (2d Cir. 1992).....28

Cadbury Beverages, Inc. v. Cott Corp., 73 F.3d 474 (2d Cir. 1996).....15

Cardtoons, L.C. v. Major League Baseball Players Ass'n, 95 F.3d 959 (10th Cir. 1996).....27

Champions Golf Club, Inc. v. The Champions Golf Club, Inc., 78 F.3d 1111 (6th Cir. 1996).....28

Clamp Mfg. Co. v. Enco Mfg. Co., 870 F.2d 512 (9th Cir.), *cert. denied*, 493 U.S. 872 (1989).....19

Country Floors, Inc. v. Gepner, 930 F.2d 1056 (3d Cir. 1991).....26

Dial-A-Mattress Franchise Corp. v. Page, 880 F.2d 675 (2d Cir. 1989).....8,9,22

Dieter v. B&H Indus. of Southwest Fla., Inc., 880 F.2d 322 (11th Cir. 1989), *cert. denied*, 498 U.S. 950 (1990).....27

Dranoff-Perlstein Assocs. v. Sklar, 967 F.2d 852 (3d Cir. 1992).....14,15,22

Elby's Big Boy of Steubenville, Inc. v. Frisch's Restaurants, Inc., 459 U.S. 916 (1982).....27

Enco Mfg. Co. v. Clamp Mfg. Co., 493 U.S. 872 (1989).....27

Engineering Dynamics, Inc. v. Structural Software, Inc., 26 F.3d 1335 (5th Cir. 1994), *supplemented on denial of reh'g*, 46 F.3d 408 (5th Cir. 1995).....26

Equine Technologies, Inc. v. Equitechnology, Inc., 68 F.3d 542 (1st Cir. 1995).....26

Euroquilt, Inc. v. Scandia Down Corp., 475 U.S. 1147 (1986).....27

Giant Food, Inc. v. Nation's Foodservice, Inc., 710 F.2d 1565 (Fed. Cir. 1983).....19,26

Gruner + Jahr USA Publ'g v. Meredith Corp., 991 F.2d 1072 (2d Cir. 1993).....17

Hancock v. American Steel & Wire Co., 203 F.2d 737 (C.C.P.A. 1953).....20

Hecker H-O Co. v. Holland Food Corp., 36 F.2d 767 (2d Cir. 1929).....23

Hormel Foods Corp. v. Jim Henson Prods., Inc., 73 F.3d 497 (2d Cir. 1996).....28

In re Shell Oil Co., 992 F.2d 1204 (Fed. Cir. 1993).....28

Inset Systems, Inc. v. Instruction Set, Inc., 937 F. Supp. 161 (D. Conn. 1996).....22

Intermatic Inc. v. Toeppen, No. 96 C 1982, 1996 WL 622237 (N.D. Ill. Oct. 7, 1996).....22

International Kennel Club v. Mighty Star, Inc., 846 F.2d 1079 (7th Cir. 1988).....14,15

Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc., 58 F.3d 27 (2d Cir. 1995) 25

Jellibeans, Inc. v. Skating Clubs of Ga., Inc., 716 F.2d 833 (11th Cir. 1983) 14,15,16,18,20

Lloyd's Food Prods., Inc. v. Eli's, Inc., 987 F.2d 766 (Fed. Cir. 1993).....28

McLean v. Fleming, 96 U.S. 245 (1877).....20

Merriam-Webster, Inc. v. Random House, Inc., 35 F.3d 65 (2d Cir. 1994), *cert. denied*, 115 S. Ct. 1252 (1995).....25

Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254 (2d Cir. 1987).....20

Morton-Norwich Prods., Inc. v. S.C. Johnson & Son, Inc., 531 F.2d 561 (C.C.P.A. 1976) 19

Murrin v. Midco Communications, Inc., 726 F. Supp. 1195 (D. Minn. 1989) 22

Nikon Inc. v. Ikon Corp., 987 F.2d 91 (2d Cir. 1993) 15,16

Northam Warren Corp. v. Universal Cosmetic Co., 18 F.2d 774 (7th Cir. 1927).....20

Pacific Telesis Group v. International Telesis Communications, 994 F.2d 1364 (9th Cir. 1993) 27

Panavision Int'l, L.P. v. Toeppen, ___ F. Supp. ___, 1996 WL 653726 (C.D. Cal. Nov. 5, 1996).....22

Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc., 687 F.2d 563 (2d Cir. 1982).....14

Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492 (2d Cir.), *cert. denied*, 36 U.S. 820 (1961).....15

Procter & Gamble Co. v. Conway, 419 F.2d 1332 (C.C.P.A. 1970).....19

Shell Oil Co. v. Commercial Petroleum, Inc., 928 F.2d 104 (4th Cir. 1991).....26

Smith Fiberglass Prods., Inc. v. Ameron, Inc., 7 F.3d 1327 (7th Cir. 1993).....26

South Corp. v. United States, 690 F.2d 1368 (Fed. Cir. 1982).....19

Sun-Fun Prods. Inc. v. Suntan Research & Dev. Inc., 656 F.2d 186 (5th Cir. 1981).....17,18,19,20

Supply Mfg. Co. v. King Trimmings, Inc., 220 F. Supp. 947 (S.D.N.Y. 1963).....24

Sweats Fashions, Inc. v. Pannill Knitting Co., 833 F.2d 1560 (Fed. Cir. 1987).....26

Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763 (1992).....11

Wynn Oil Co. v. Thomas, 839 F.2d 1183 (6th Cir. 1988) 25

STATUTES AND RULES

15 U.S.C. § 1051, *et seq.* 10

15 U.S.C. § 1114 5

15 U.S.C. § 1114(1) 1

15 U.S.C. § 1114(1)(a) 11

15 U.S.C. § 1121 6

15 U.S.C. § 1125(a) 1,5

15 U.S.C. § 1125(a)(1)(A) 11

28 U.S.C. § 1254(1) 1

28 U.S.C. § 1331 6

28 U.S.C. § 1338 6

Sup. Ct. R. 10(a) 21

OTHER AUTHORITIES

RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 20-23 (1995) 15

Petitioner Holiday Inns, Inc. respectfully petitions this Court for a writ of certiorari to review the judgment of the United States Court of Appeals for the Sixth Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App., *infra*, 1a-18a) is reported at 86 F.3d 619. The opinion of the district court regarding issuance of a preliminary injunction (App., *infra*, 19a-38a) is reported at 838 F. Supp. 1247. The opinions of the district court regarding summary judgment and entry of judgment (App., *infra*, 39a-51a, 52a-62a) are not reported.

JURISDICTION

The judgment of the court of appeals was entered on June 24, 1996. A timely petition for rehearing was denied on August 29, 1996. App., *infra*, 63a-64a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY PROVISIONS INVOLVED

Section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1), provides in pertinent part:

> Any person who shall, without the consent of the registrant –
>
> > (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale . . . of any goods or services . . . in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . .
> >
> > * * * * *
>
> shall be liable in a civil action by the registrant.

Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), provides in pertinent part:

> (1) Any person who, on or in connection with any goods or services . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof . . . which –
>
> (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person . . .
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

STATEMENT OF THE CASE

I. Factual Background

Since 1952, petitioner Holiday Inns has operated an international network of hotels under the name "Holiday Inn," which is registered as a service mark in the United States. Holiday Inns owns or licenses more than 1,700 hotels worldwide, and its hotels are operated in a manner designed to provide distinctive, high quality services and products to the public. Holiday Inns spends large sums on advertising and marketing, and has achieved considerable commercial success and recognition among consumers. App., *infra*, 3a, 20a-21a; R.40 at 54.[1]

One important component of Holiday Inns' successful marketing program is its use and promotion of a toll-free "vanity" telephone number, 1-800-HOLIDAY, which permits consumers to make reservations

---

[1] "R." refers to the docket entry number assigned to documents filed in the district court.

or inquire about lodging. Holiday Inns has invested a great deal of time, effort, and money in increasing the traveling public's awareness of its 1-800-HOLIDAY number, and includes this "vanity" number in virtually all of its advertisements. App., *infra*, 3a, 21a-22a.

Consumers frequently misdial vanity numbers, most often by dialing the numeral "0" instead of the letter "O" (*i.e.*, the numeral "6" on the telephone keypad) or by dialing the numeral "1" instead of the letter "I" (*i.e.*, the numeral "4"). If the mistakenly dialed number (known as a "complementary" number) has not been assigned to any business or individual, the misdialing consumer receives a busy signal or a message stating that the number is not in service. App., *infra*, 4a.

In May 1993, respondent Call Management reserved the complementary numbers for Holiday Inns' 1-800-HOLIDAY "vanity" number, including in particular the number 1-800-H[0]LIDAY.[2] Call Management's president, Albert H. Montreuil, admitted that his "sole purpose in picking the number 1-800-H[0]LIDAY was to have consumers who tried to call and intended to call 1-800-HOLIDAY to call" Call Management instead. R.40 at 85; *see id.* at 69. He also admitted that Call Management would reap benefits from its use of this complementary number "in direct proportion to Holiday Inns's efforts at marketing 1-800-HOLIDAY." App., *infra*, 4a.[3]

---

[2] The 1-800-H[0]LIDAY number corresponds to the numeric 1-800-405-4329. Similarly, Holiday Inns' 1-800-HOLIDAY number corresponds to the numeric 1-800-465-4329.

[3] In addition to the 1-800-H[0]LIDAY number, Call Management also purchased 1-800-HOL[1]DAY, as well as complementary numbers for the vanity numbers of several other hotel chains. App., *infra*, 27a n.5.

Calls to the 1-800-H[0]LIDAY number were initially processed by respondent Earthwinds Travel under an agreement providing for Call Management to receive a percentage of all commissions earned by Earthwinds when it booked hotel rooms for consumers who mistakenly dialed the complementary number. Mr. Montreuil subsequently formed a new corporation, respondent 800 Reservations, to process calls to the 1-800-H[0]LIDAY number and other complementary numbers controlled by Call Management. Call Management then terminated its agreement with Earthwinds and reactivated the 1-800-H[0]LIDAY number for use by 800 Reservations. App., *infra*, 5a, 26a-27a.

When a mistakenly dialed call was received, 800 Reservations would attempt to reserve a hotel room for the caller, either with the hotel chain that the caller had intended to reach or with another hotel. R.40 at 80, 101, 110-11. In either case, the hotel at which a room was booked would be charged a commission for the booking. Over a three-month period, respondents intercepted numerous calls intended for Holiday Inns, representing approximately $275,000 in bookings and thousands of dollars in commissions payable to respondents from Holiday Inns. R.40 at 42, 49, 71; App., *infra*, 29a & n.6.

At least some of the callers to the 1-800-H[0]LIDAY number continued to believe that they were dealing directly with Holiday Inns even after respondents answered the misdialed calls and made reservations for the callers. Indeed, one caller (who was booked into a competing hotel chain after being told by respondents that the Holiday Inn he sought was full) was under the impression that he was dealing with a Holiday Inns representative, and gave his credit card number over the telephone based on that understanding. R.27 at 7-9, 28. When he subsequently learned that he had never reached Holiday Inns, he became so concerned

that he cancelled his credit card. *Id.* at 9-10, 26. Another customer booked a room at a Holiday Inn in the belief that he was dealing directly with a Holiday Inns representative, only to learn later that the room had in fact been booked by Earthwinds. R.26 at 8-11.

As a result of differences between Holiday Inns' reservations system and the systems used by travel agencies (including Earthwinds and 800 Reservations), a customer who mistakenly dialed 1-800-H[0]LIDAY could be given incorrect information about room availability and/or rates at Holiday Inns, and could be advised incorrectly that a particular Holiday Inn was full when rooms were in fact available at that location. Moreover, customers were more likely to obtain lower room rates by contacting Holiday Inns directly than by contacting 800 Reservations or Earthwinds through the misdialed complementary number. Indeed, the average room rate obtained by consumers who booked rooms at Holiday Inns through a travel agency (such as Earthwinds or 800 Reservations) was $63.37, whereas the average rate obtained by consumers who contacted Holiday Inns directly was only $57.19. App., *infra*, 6a-7a & n.1, 28a.

II. Proceedings in the District Court

Holiday Inns brought suit against respondents in the United States District Court for the Eastern District of Tennessee, seeking damages and injunctive relief under Sections 32 and 43(a) of the Lanham Act, 15 U.S.C. §§ 1114 and 1125(a).[4] Jurisdiction was predicated

---

[4] Holiday Inns also asserted pendent state-law claims against respondents, but those claims were subsequently dismissed without prejudice by stipulation of the parties in order to narrow the issues for decision in this case. App., *infra*, 53a n.3.

upon 15 U.S.C. § 1121 and 28 U.S.C. §§ 1331 and 1338.

The district court issued a preliminary injunction against respondents' use of the 1-800-H[0]LIDAY number. App., *infra*, 19a-38a. The court noted the existence of a factual dispute over whether callers to that number would receive a recorded message disclaiming any direct affiliation with Holiday Inns.[5] The court found it unnecessary to resolve this issue, however, because it concluded that a disclaimer (even if consistently used) could not immunize respondents' conduct from liability under the Lanham Act. *Id.* at 31a-32a.

Holding that the "likelihood of confusion" test governed Holiday Inns' claims under the Lanham Act, the

---

[5] According to respondents, this alleged disclaimer stated:

> Hello. You have misdialed and have not reached Holiday Inns or any of its affiliates. You have called 800 Reservations, America's fastest growing independent computerized hotel reservations service. One of our highly trained hotel reservations specialists will be with you momentarily to provide the Holiday Inns number or to assist you in finding the lowest rate at over 19,000 properties worldwide, including such hotel chains as Holiday Inns, Guest Quarters, Hampton Inn, Sheraton, Comfort Inn, and many more. If you are a member of a hotel's frequent guest program, have that number ready. Please stay on the line, assistance is just a moment away.

App., *infra*, 30a-31a. Respondents asserted that this disclaimer was always played to callers who dialed Holiday Inns' complementary number, but Holiday Inns presented testimony of actual consumers who were misled into believing that they were dealing directly with Holiday Inns when in fact they had reached the complementary number instead. *Id.* at 30a.

district court observed that a defendant's intent is "critical" in determining likelihood of confusion, because "'"if the mark was adopted with the intent of deriving benefit from the reputation of [the plaintiff], *that fact alone may be sufficient to justify the inference that there is confusing similarity.*"'" App., *infra*, 34a (emphasis original). In this case, "Mr. Montreuil testified without reservation that he purchased Holiday Inns' complementary number because he intend[ed] to derive benefit from Holiday Inns' reputation . . . ." *Id.*

The district court also concluded that "[respondents] are not only using [Holiday Inns'] mark in violation of the Lanham Act, but . . . they are doing so in a most insidious and parasitic manner." App., *infra*, 36a. The court explained that respondents "have cleverly spread their net to capture the consumer at the very moment his confusion is manifested." *Id.* And far from eliminating consumer confusion, respondents' alleged disclaimer merely exacerbated the problem by creating the impression that "the consumer's expectations appear not only to have been met but even to have been surpassed." *Id.* This impression was demonstrably false: "[A] closer examination of the proof indicates otherwise. It indicates that the consumer does not always reach his desired destination nor does he reach it for the same price." *Id.* at 36a-37a. Indeed, "a consumer will pay several dollars more for a room reserved by [respondents] through the complementary number than he would pay had he dialed Holiday Inns' vanity number," and could be erroneously advised by respondents that the desired Holiday Inn was fully booked, which "could also result in the consumer paying more to stay in a competitor's hotel." *Id.* at 37a. Accordingly, the court held that respondents' "nefarious" conduct "must . . . be enjoined as it

constitutes both trademark infringement and unfair competition." *Id.* at 38a.

The parties subsequently filed cross-motions for summary judgment. The district court denied respondents' motions, but granted partial summary judgment for Holiday Inns on the issue of liability under the Lanham Act. App., *infra*, 39a-51a. The court reaffirmed its prior determination "that [respondents'] use of [Holiday Inns'] complementary number, under the undisputed facts of this case, is a violation of the Lanham Act." *Id.* at 46a-47a.

After further proceedings, the district court directed entry of final judgment in favor of Holiday Inns. App., *infra*, 52a-62a. The court granted a permanent injunction against respondents' use of the 1-800-H[0]LIDAY number and awarded $6,356.38 in damages against respondent Earthwinds, reflecting the commissions paid by Holiday Inns to Earthwinds for rooms booked through the complementary number. The court declined to award Holiday Inns treble damages or attorney's fees. *Id.* at 58a-61a.

III. Proceedings in the Court of Appeals

Respondents appealed to the United States Court of Appeals for the Sixth Circuit, arguing that they could not be held liable under the Lanham Act because their "use of the phone number 1-800-405-4329, is not 'use' of Holiday Inns' mark." Resp. C.A. Br. 19. The court of appeals reversed the judgment of the district court. App., *infra*, 1a-18a.

The court of appeals began its analysis by holding that the ultimate question of likelihood of confusion is a "'mixed question of fact and law'" subject to *de novo* review on appeal. *Id.* at 11a. Turning to the merits, the court of appeals noted that other courts, including the Second Circuit in *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675 (2d Cir. 1989), "have agreed

that telephone numbers may be protected as trademarks and that a competitor's use of a confusingly similar telephone number may be enjoined as both trademark infringement and unfair competition." App., *infra*, at 13a. The court of appeals held, however, that *Dial-A-Mattress* was "clearly distinguishable" because the defendant in that case had "intentionally *promoted* his vanity number and actively *caused* confusion," whereas respondents in this case had "engaged in only minimal advertising of their travel agency and never promoted a vanity number." *Id.* at 14a (emphasis original). Thus, the court of appeals essentially adopted respondents' argument that "the active *promotion* of a deceptively similar vanity number is necessary before the trial court can conclude that unlawful infringement has occurred." *Id.* at 15a (emphasis original).

The court next addressed respondents' assertion that they did not violate the Lanham Act because "[t]hey only used the phone number, 1-800-405-4329," rather than "Holiday Inns' trademark, 1-800-HOLIDAY." App., *infra*, 12a. In the court's view, respondents were immune from liability because they "never *used* Holiday Inns's trademark nor any *facsimile* of Holiday Inns's marks." *Id.* at 16a (second emphasis added). The court explained that use of "a mark or a deceptively similar *copy* of a mark owned by" the plaintiff is an "essential element" of a Lanham Act claim, an element that was absent from Holiday Inns' case. *Id.* (emphasis added).[6]

In addition, the court of appeals held that this "essential element" -- *i.e.*, use of the plaintiff's mark or a

---

[6] With respect to Holiday Inns' claim under Section 32 of the Lanham Act, the court of appeals also held that there was no liability because respondents "did not *create* any confusion; the confusion already existed among the misdialing public." App., *infra*, 16a (emphasis original).

"copy" or "facsimile" thereof -- is a threshold prerequisite to liability under the Lanham Act, in the absence of which the issue of likelihood of confusion does not even arise. App., *infra*, 17a-18a. Indeed, the court ruled that the multi-factor test for likelihood of confusion "is irrelevant" in the absence of proof that the defendant used the plaintiff's mark or a copy or facsimile thereof. *Id.* Because Holiday Inns had, in the court's view, failed to satisfy this threshold prerequisite, the court declined even to consider the question of likelihood of confusion. Instead, the court held "[a]s a matter of law . . . that [respondents] did not violate §§ 32 and 43 of the Lanham Act by the use of the 405 number." *Id.* at 18a.

REASONS FOR GRANTING THE WRIT

This case presents important and recurring questions regarding the proper test for liability under the Lanham Act, 15 U.S.C. §§ 1051 *et. seq.*, and the standard of review for determinations of likelihood of confusion under that Act. The governing legal standards announced and applied by the court of appeals below are fundamentally inconsistent with the approach followed by other courts of appeals in reviewing claims of trademark infringement and unfair competition. For the reasons set forth below, this Court's review is necessary to harmonize the federal courts' interpretation and application of the Lanham Act.

I. The Decision Below Creates A Circuit Conflict By Holding That Use Of The Plaintiff's Mark Or A "Copy" Or "Facsimile" Of That Mark Is A Threshold Prerequisite To Liability Under The Lanham Act

The Lanham Act protects against both trademark infringement and unfair competition. Actions for infringement arise under Section 32 of the Act, which prohibits the unauthorized use of "any reproduction,

counterfeit, copy, or colorable imitation of a registered mark in connection with the sale . . . of any goods or services" when such use is "likely to cause confusion" or otherwise likely to deceive consumers. 15 U.S.C. § 1114(1)(a). Actions for unfair competition arise under Section 43(a), which prohibits the use of "any word, term, name, symbol, or device" which is "likely to cause confusion" or to deceive as to affiliation, association, origin, or sponsorship of goods and services or the providers thereof. 15 U.S.C. § 1125(a)(1)(A). Section 43(a) thus provides protection for both registered and unregistered marks (*see Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 767-68 (1992)), and also prohibits a wide array of commercial conduct involving a likelihood of consumer confusion or deceit.

In this case, respondents intentionally selected the telephone number 1-800-H[0]LIDAY in order to take advantage of consumer dialing mistakes that respondents knew would occur because of their number's close dialing similarity to Holiday Inns' protected 1-800-HOLIDAY number. It is undisputed that respondents "used the phone number, 1-800-405-4329 [1-800-H[0]LIDAY]" (App., *infra*, 12a) to intercept calls intended for Holiday Inns and earn commissions for hotel bookings.[7] Nonetheless, the court of appeals held that respondents could not be found liable under the Lanham Act because they "never *used* Holiday Inns's trademark nor any facsimile of Holiday Inns's marks." App., *infra*, 16a (emphasis original); *see also id.* at 16a-17a ("[respondents] never used a mark or a deceptively similar *copy* of a mark owned by Holiday Inns – an *essential element* of proof of a Lanham Act viola-

---

[7] *See also* App., *infra*, 18a (referring to respondents' "use of the 405 number"); Resp. C.A. Br. 19 (conceding respondents' "use of the phone number 1-800-405-4329").

tion") (emphases added). Thus, the court of appeals adopted respondents' argument that there was no liability because the 1-800-405-4329 number "is neither phonetically nor visually similar to Holiday Inns's trademark, 1-800-HOLIDAY." *Id.* at 12a.

The court of appeals' holding conflicts with the decisions of other circuits in two distinct (albeit related) respects. First, by requiring a threshold showing that the defendants used the plaintiff's mark or a copy or facsimile thereof, and by holding that the traditional likelihood-of-confusion inquiry is "irrelevant" in the absence of this threshold showing (App., *infra*, 17a-18a), the court of appeals' decision conflicts with numerous circuit court decisions holding that likelihood of confusion is the *exclusive* test for liability under the Lanham Act and that the extent of similarity between the plaintiff's mark and the mark or symbol used by the defendant is merely one non-dispositive factor to be considered *in conjunction with* all the other factors relevant to the likelihood-of-confusion inquiry. *See* Part I.A., *infra*.

Second, the court of appeals' holding that the Lanham Act applies only where a defendant uses the plaintiff's mark or a "copy" or "facsimile" thereof is inconsistent with decisions of other courts of appeals imposing liability even where the mark or symbol used by the defendant "is neither phonetically nor visually similar to" the plaintiff's mark and is *not* a "copy" or "facsimile" of the plaintiff's mark. App., *infra*, 12a, 16a. The court of appeals held, in effect, that respondents are immune from liability under the Lanham Act because 1-800-405-4329 does not look or sound like 1-800-HOLIDAY.[8] Numerous other courts have re-

---

[8] In so holding, however, the court did not dispute the fact that respondents purposely selected the 1-800-H[0]LIDAY num-

jected that simplistic and erroneous approach to liability under the Lanham Act. *See* Part I.B., *infra*. Review by this court is necessary to resolve these decisional conflicts.

A. The Decision Below Conflicts With Cases Holding That "Likelihood Of Confusion" Is The Exclusive Test Of Liability Under The Lanham Act

As noted above, the court of appeals held that the issue of likelihood of confusion does not even arise unless the plaintiff first demonstrates that the defendant used the plaintiff's mark or a copy or facsimile thereof. App., *infra*, 17a-18a. The court thus created a threshold requirement that must be satisfied before the question of "likelihood of confusion" even becomes relevant. *Id.* ("Absent such a finding, the eight factor test [for likelihood of confusion] *is irrelevant*.") (emphasis added).

Numerous other courts of appeals have taken a contrary approach, defining the elements of liability under the Lanham Act in a manner that is directly inconsistent with the threshold requirement imposed by the court of appeals in this case. In these circuits, once the plaintiff has established the validity of its mark,[9] the *sole* and dispositive question is whether there is a like-

---

ber (not merely its numeric equivalent). Indeed, respondents admitted that their "sole purpose in picking the number 1-800-H[0]LIDAY" was to intercept calls from "consumers who tried to call and intended to call 1-800-HOLIDAY." R.40 at 85.

[9] Respondents "concede that 'Holiday Inns has trademark rights in its 1-800-HOLIDAY designation.'" App., *infra*, 12a n.5.

lihood of confusion between the plaintiff's mark and the mark or symbol used by the defendant. *See, e.g., Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852, 862 (3d Cir. 1992) (if the plaintiff's mark is valid, "the district court should consider the likelihood of confusion between the two marks"); *International Kennel Club v. Mighty Star, Inc.*, 846 F.2d 1079, 1084 (7th Cir. 1988) ("In order to prevail in its action under section 43(a) of the Lanham Act, [the plaintiff] must establish: (1) that it has a protectible trademark, and (2) a 'likelihood of confusion' as to the origin of the defendant's product."); *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 924 (10th Cir. 1986) ("use of a mark constitutes infringement of a registered trademark and leads to liability if it 'is likely to cause confusion' in the marketplace concerning the source of the different products"), *Jellibeans, Inc. v. Skating Clubs of Ga., Inc.*, 716 F.2d 833, 839 (11th Cir. 1983) ("[t]he test for a service mark infringement under 15 U.S.C. § 1125 has often been expressed as whether or not the offending mark is 'likely to cause confusion'"); *Playboy Enters., Inc. v. Chuckleberry Publ'g, Inc.*, 687 F.2d 563, 570 (2d Cir. 1982) ("the 'ultimate test is . . . whether the public is likely to be confused by the similarity of the marks'").

In these circuits, therefore, no threshold showing of identicality or similarity between the marks is required. Instead, the extent of similarity between the plaintiff's mark and the symbol or mark used by the defendant is merely *one element* of the multi-factor test governing the likelihood-of-confusion inquiry, and is considered only in conjunction with that multi-part analysis.[10]

---

[10]In determining "likelihood of confusion," most courts examine a nonexclusive list of eight factors originally set forth by Judge Friendly: (1) the strength of the plaintiff's mark; (2) the degree of similarity between the two marks; (3) the prox-

See, e.g, Cadbury Beverages, Inc. v. Cott Corp., 73 F.3d 474, 478 (2d Cir. 1996) ("the law of this Circuit requires that courts consider . . . eight factors," including "the degree of similarity between the two marks"); *Dranoff-Perlstein Assocs.*, 967 F.2d at 862-63 ("the likelihood of confusion analysis requires the evaluation of a number of factors," including but not limited to similarity); *International Kennel Club*, 846 F.2d at 1087 ("[i]n determining a likelihood of confusion, this circuit . . . has considered several factors to be important," only one of which is the "degree of similarity between the marks"); *Beer Nuts, Inc.*, 805 F.2d at 925 (listing multiple factors, including degree of similarity, "to be considered in determining whether there is a likelihood of confusion between the two marks"); *Jellibeans, Inc.*, 716 F.2d at 840 (listing "a number of factors which may bear on the question of likelihood of confusion," including but not limited to the extent of similarity between the marks); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348 (9th Cir. 1979) (listing eight factors, including similarity, as relevant to the likelihood-of-confusion inquiry, and stating "[w]e discuss each serially").

In direct conflict with the approach followed by the Sixth Circuit below, moreover, these courts hold that no one factor is dispositive on the question of liability. *See, e.g., Nikon Inc. v. Ikon Corp.*, 987 F.2d 91, 94

---

imity of the products; (4) the likelihood that the prior owner will "bridge the gap;" (4) evidence of actual confusion; (6) the defendants' good faith in adopting its mark; (7) the quality of the defendant's product; and (8) the sophistication of the buyers. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495-96 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961). *See also* RESTATEMENT (THIRD) OF UNFAIR COMPETITION §§ 20-23 (1995).

(2d Cir. 1993) ("nor is any one factor determinative"); *International Kennel Club*, 846 F.2d at 1087 ("'[n]one of these factors by itself is dispositive'"); *Beer Nuts*, 805 F.2d at 925 ("no one factor is determinative"); *Jellibeans, Inc.*, 716 F.2d at 840 ("there are no subparts to this test in the sense of necessary and sufficient conditions"). Indeed, the Ninth Circuit has held that it is improper to focus on the similarity issue to the exclusion of the other factors. *AMF Inc.*, 599 F.2d at 350 ("Although in some cases similarity of the marks has been equated with likelihood of confusion, the two inquiries are separate: 'Viewing the foundational question as one of 'confusing similarity' is improper because it merges analysis of one of the preliminary inquiries with the conceptually distinct step of applying the statutory [likelihood-of-confusion] standard.'"). The rule in these circuits, therefore, is that each factor must be considered and weighed before the ultimate determination regarding likelihood of confusion (and thus liability) can be made. *See, e.g.*, *Nikon Inc.*, 987 F.2d at 94 ("Each factor must be balanced with the others to determine the likelihood of confusion.").

The Sixth Circuit's decision in this case is fundamentally inconsistent with the test for Lanham Act liability applied by these other circuits, because it imposes a separate, threshold proof requirement that places dispositive weight on only one aspect of the multi-factor test applied in other courts. This conflict among the circuits over the test for liability under an important federal statute requires resolution by this Court.

B. The Decision Below Conflicts With Cases Holding That Use Of A Confusing Or Deceptive Mark Or Symbol Can Violate The Lanham Act Even If The Defendant Did Not Use The Plaintiff's Mark Or A "Copy" Or "Facsimile" Thereof

In addition to the decisional conflict discussed above, the *content* of the threshold requirement established by the court of appeals in this case is also directly inconsistent with the legal standard enunciated in other cases, and reflects a fundamental disagreement over the scope of liability under the Lanham Act. In contrast to the Sixth Circuit's requirement that the defendant must have used the *plaintiff's* mark or a "*facsimile*" or "*copy*" thereof, other circuit courts have held that the dispositive question under the Lanham Act is "whether there is a likelihood of confusion between *the two marks*" – *i.e.*, between the plaintiff's protected mark and the *separate* mark or symbol used by the defendant. *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 925 (10th Cir. 1986) (emphasis added). *Accord, e.g., Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072, 1074 (2d Cir. 1993) ("the plaintiff must prove . . . that the defendant's use *of its own mark* will likely cause confusion with plaintiff's mark") (emphasis added); *Sun-Fun Prods. Inc. v. Suntan Research & Dev. Inc.*, 656 F.2d 186, 189 (5th Cir. 1981) (dispositive question is "[w]hether *two marks* are likely to be confused") (emphasis added). According to these courts, therefore, it is irrelevant whether the defendant used the *plaintiff's* mark or a copy thereof; the focus instead is on the potential for confusion between that mark and the *distinct* symbol being used by the defendant.

Moreover, several circuits have squarely rejected the Sixth Circuit's requirement that the offending mark or symbol used by the defendant must be a "copy" or

"facsimile" of the plaintiff's mark (or must be "phonetically" or "visually" similar to the plaintiff's mark) in order to give rise to liability under the Lanham Act. In *Beer Nuts, Inc.*, for example, the Tenth Circuit held that "marks may be confusingly similar if, as entities, they look or sound similar *or convey the same idea or meaning.*" 805 F.2d at 925 (emphasis added). In addition, the court made clear that "suggestion" and "verbal *translation of the pictures or designs involved*" must also be considered in analyzing the similarity factor. *Id.* (emphasis added). Even though "there [we]re clearly differences between the marks" at issue in that case, *id.* at 926, the Tenth Circuit concluded that the plaintiff had demonstrated likelihood of confusion as a matter of law. *Id.* at 928.

Similarly, in *Jellibeans, Inc. v. Skating Clubs of Ga., Inc.*, 716 F.2d 833 (11th Cir. 1983), the Eleventh Circuit held that there was a likelihood of confusion between the terms "Jellibeans" and "Lollipops" as designations of skating rinks, despite the obvious lack of identicality or close similarity in sound or appearance between the two marks. 716 F.2d at 846. In upholding the district court's finding that these two distinct terms "evoke the same general impression," the Eleventh Circuit expressly rejected the defendant's contention that "a court can find that two marks convey the same general impression only if they are synonyms or spelled similarly." *Id.* at 842 & n.21.

Likewise, in *Sun-Fun Products*, *supra*, the district court had granted a directed verdict for the defendant on the ground that "the marks were so dissimilar in appearance that the other extrinsic factors [of the likelihood-of-confusion test] were irrelevant." 656 F.2d at 189. Stating that "[w]e disagree," the Fifth Circuit explained that "[t]his court routinely has evaluated factors other than degree of similarity . . . *in cases where the marks were found to be distinguishable.*" *Id.* (em-

phasis added). Despite the existence of "identifiable differences between the marks" at issue in that case, the Fifth Circuit held that "it was improper for the district judge to weigh these similarities and differences instead of the jury." *Id.* at 190.

Numerous other decisions are to the same effect. *See, e.g., Clamp Mfg. Co. v. Enco Mfg. Co.*, 870 F.2d 512, 518 (9th Cir.) (despite use of different words, "[c]onfusing similarity may exist if the two terms convey the same idea or meaning"), *cert. denied*, 493 U.S. 872 (1989); *Morton-Norwich Prods., Inc. v. S.C. Johnson & Son, Inc.*, 531 F.2d 561, 562-63 (C.C.P.A. 1976) (finding likelihood of confusion between different marks based on "the similarity of *commercial impressions* of the marks" and emphasizing that "[w]hether the marks themselves are synonymous is not the test") (emphasis added);[11] *Bill Rivers Trailers, Inc. v. Thermo King Corp.*, 478 F.2d 1243, 1245 (C.C.P.A. 1973) (finding likelihood of confusion between different words that "can have different meanings" because "both have a suggestive connotation" when viewed in context); *Procter & Gamble Co. v. Conway*, 419 F.2d 1332, 1336 (C.C.P.A. 1970) ("aural and optical dissimilarity between" marks is "not necessarily controlling" because "[a] designation may well be likely to cause purchaser confusion as to the origin of goods because it conveys, as used, the

---

[11]The Court of Customs and Patent Appeals is a predecessor to the United States Court of Appeals for the Federal Circuit, and its decisions are binding precedent in the Federal Circuit. *Giant Food, Inc. v. Nation's Foodservice, Inc.*, 710 F.2d 1565, 1569 (Fed. Cir. 1983); *South Corp. v. United States*, 690 F.2d 1368, 1369-71 (Fed. Cir. 1982) (en banc).

same idea, or *stimulates the same mental reaction*") (emphasis added).[12]

Not surprisingly, courts following this approach to liability under the Lanham Act have had little difficulty in finding violations of the Act even though the defendant's offending symbol or mark looks and sounds *nothing* like the plaintiff's mark. *See, e.g., Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254 (2d Cir. 1987) (likelihood of confusion between pictoral symbol of a flying horse and the word "Pegasus"); *Jellibeans, Inc.*, 716 F.2d at 840-46 (likelihood of confusion between "Lollipops" and "Jellibeans"); *Sun-Fun Products*, 656 F.2d at 189-92 (likelihood of confusion between "Native Tan" mark accompanied by a sunburst symbol surrounding the head of a tiki god and "Beach Buff" mark accompanied by a sunburst symbol surrounding a swimsuit-clad couple); *Hancock v. American Steel & Wire Co.*, 203 F.2d 737, 740-41 (C.C.P.A. 1953) (likelihood of confusion between "Tornado" and "Cyclone"). Obviously, the Sixth Cir-

---

[12]Decisions of this Court construing prior law are to the same effect. *McLean v. Fleming*, 96 U.S. 245, 253 (1877) ("exact similitude is not required to constitute an infringement or to entitle the complaining party to protection"); *American Steel Foundries v. Robertson*, 269 U.S. 372, 381 (1926) ("[t]he general doctrine is that equity not only will enjoin the appropriation and use of a trademark or trade-name, where it is completely identical . . ., but will enjoin such appropriation and use where the resemblance is so close as to be likely to produce confusion as to such identity, to the injury of the corporation to which the name belongs"). *See also Northam Warren Corp. v. Universal Cosmetic Co.*, 18 F.2d 774, 775 (7th Cir. 1927) ("[w]hether there is an infringement of a trade-mark does not depend upon the use of identical words, nor on the question as to whether they are so similar that a person looking at one would be deceived into the belief that it was the other").

cuit's threshold requirement that the defendant use the plaintiff's mark or a facsimile thereof was not satisfied in *any* of these cases, yet liability was imposed nonetheless.

By limiting liability under the Lanham Act to circumstances in which a defendant actually uses the plaintiff's mark or a facsimile of that mark, the Sixth Circuit's decision creates a direct conflict with the foregoing decisions of other circuits. Far from requiring proof that the defendant's mark or symbol was a "facsimile" or "copy" of the plaintiff's mark, as the court below has done, other courts have extended the Act's protection far beyond mere visual and aural similarity to encompass different marks and symbols that (like the confusingly similar phone numbers at issue in this case) stimulate "the same mental reaction," involve the same "translation of the pictures or designs involved," or convey the same "idea," "meaning," "suggestion," "commercial impression," or "suggestive connotation." Thus, the Sixth Circuit has clearly "entered a decision in conflict with the decision of another United States court of appeals on the same important matter." Sup. Ct. R. 10(a). Absent review by this Court, the scope of trademark protection will continue to vary from circuit to circuit depending on whether the Sixth Circuit's test or the contrary approach enunciated by these other courts is deemed applicable. Certiorari is warranted to resolve this conflict and clarify the extent of protection afforded to trademarks and service marks under federal law.

II. The Lower Federal Courts Are Divided Over The Question Whether Active Promotion Of The Defendant's Infringing Mark Or Symbol Is A Prerequisite To Liability Under The Lanham Act

In *Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675 (2d Cir. 1989), the Second Circuit held that "[t]elephone numbers may be protected as trademarks, and a competitor's use of a confusingly similar telephone number may be enjoined as both trademark infringement and unfair competition." 880 F.2d at 678. Accordingly, the Second Circuit upheld the district court's determination that "defendant's use of the telephone number 1-800-628-8737 [1-800-MATTRES] was confusingly similar to plaintiff's [local] telephone number 628-8737 [MATTRES]." *Id.*[13]

---

[13]A number of other courts have likewise held that the use of confusingly similar telephone numbers may violate the Lanham Act. See, e.g., *Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852 (3d Cir. 1992); *Murrin v. Midco Communications, Inc.*, 726 F. Supp. 1195 (D. Minn. 1989); *American Airlines, Inc. v. A 1-800-A-M-E-R-I-C-A-N Corp.*, 622 F. Supp. 673 (D.C. Ill. 1985). Similar issues involving the use of confusing Internet "domain" names are arising with increasing frequency as well. *See, e.g., Actmedia, Inc. v. Active Media Int'l Inc.*, No. 96C3448, 1996 WL 466527 (N.D. Ill. July 17, 1996) (defendant's reservation of a domain name patterned after plaintiff's trademark violated the Lanham Act); *Intermatic Inc. v. Toeppen*, No. 96 C 1982, 1996 WL 622237 at *5, *13 (N.D. Ill. Oct. 7, 1996) (use of an Internet domain name based on plaintiff's trademark constitutes use "in commerce" even though the defendant did not promote or advertise the domain name); *Panavision Int'l, L.P. v. Toeppen*, ___ F. Supp. ___, 1996 WL 653726 (C.D. Cal. Nov. 5, 1996); *see also Inset Systems, Inc. v. Instruction Set, Inc.*, 937 F. Supp. 161 (D. Conn. 1996).

In this case, the court of appeals declined to follow the Second Circuit's decision in *Dial-A-Mattress*. The court explained that *Dial-A-Mattress* was "clearly distinguishable" because "in our case, the defendants engaged in only minimal advertisement of their travel agency and never promoted a vanity number." App., *infra*, 14a. In reaching this conclusion, the court of appeals relied on the proposition, allegedly supported by case law, that "active *promotion* of a deceptively similar vanity number is necessary before the trial court can conclude that unlawful infringement has occurred." *Id.* at 15a (emphasis in original).

The court of appeals' attempt to distinguish the Second Circuit's *Dial-A-Mattress* decision does not succeed in avoiding a circuit conflict. Instead, the Sixth Circuit's reasoning creates another decisional conflict over the elements of liability under the Lanham Act. In effect, the Sixth Circuit created a mandatory "promotion" requirement, holding that a plaintiff cannot prove a Lanham Act violation without establishing that the defendant "active[ly] promot[ed]" its infringing mark or symbol. This "promotion" requirement, however, is directly inconsistent with the holdings of other courts which have found a likelihood of confusion even absent *any* showing of "promotion."

A number of courts have held that even minimal use of a defendant's mark or symbol, without any evidence of promotion, is sufficient to give rise to a likelihood of confusion. In *Hecker H-O Co. v. Holland Food Corp.*, 36 F.2d 767, 768 (2d Cir. 1929), for example, the Second Circuit held that under the Federal Trade-Mark Act, the predecessor to the Lanham Act, affixing a mark to goods in the United States was sufficient use to constitute trademark infringement even though the goods were not marketed or sold in this country but were instead shipped overseas. Thus, in direct contrast to the decision below, the Second Circuit imposed li-

ability in the absence of any showing that the defendant had actively promoted its mark.[14]

Similarly, in *Bertolli USA, Inc. v. Filippo Bertolli Fine Foods, Ltd.*, 662 F. Supp. 203 (S.D.N.Y. 1987), the court rejected the contention that the plaintiff's Lanham Act claim was "premature because defendants' [product] has not been advertised or sold to the general public." *Id.* at 205. The court explained that the Lanham Act "provides that a registered mark is infringed whenever any person *merely uses* in commerce any imitation of the mark. To meet the definition of 'use in commerce' it is sufficient that the goods be transported in commerce." *Id.* (emphasis added).

In these cases, the defendant's use of its mark violated the likelihood-of-confusion test even though the use at issue did not involve active promotion of any kind. Thus, promotion is not a prerequisite to a finding of trademark infringement under the foregoing authorities. By holding that there can be no liability under the Lanham Act absent promotion of the defendant's mark or symbol, the court below has created a direct conflict with the foregoing decisions, which recognize that non-promotional use of a mark is sufficient to violate the Act. This Court's review is necessary to resolve this decisional conflict.

---

[14]Lower courts have applied the Second Circuit's decision in *Hecker* to cases brought under the Lanham Act as well. In *Supply Mfg. Co. v. King Trimmings, Inc.*, 220 F. Supp. 947, 951 (S.D.N.Y. 1963), the court relied upon *Hecker* to hold that the manufacturing and labeling of the defendant's product in New York constituted infringing acts under the Lanham Act even though the goods were sold in the Philippines (where the plaintiff did not have a registered mark). According to the court, "[i]t is clear from the language of 15 U.S.C. § 1114 and from the cases construing that section and its predecessors that these activities are sufficient to give plaintiff a right to relief for infringement . . . ." *Id.*

III. This Case Presents An Opportunity To Resolve The Longstanding Circuit Conflict Over The Question Whether The Ultimate "Likelihood Of Confusion" Determination Is An Issue Of Fact Or Law

The courts of appeals have long been divided over the question whether the ultimate "likelihood of confusion" determination is an issue of fact reviewable only for clear error on appeal or is instead an issue of law (or a mixed question of law and fact) reviewed *de novo*. In this case, the court of appeals followed Sixth Circuit precedent and held that determinations regarding likelihood of confusion are subject to plenary review on appeal:

> [T]he question of whether there is a 'likelihood of confusion' [i]s a mixed question of fact and law. Thus, when reviewing a district court's decision, we apply a clearly erroneous standard to findings of fact supporting the existence of these 'likelihood of confusion' factors, but review *de novo* the legal question of whether those foundational facts actually establish a 'likelihood of confusion.'"

App., *infra*, 11a (quoting *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1186 (6th Cir. 1988)).

The Second Circuit applies this same standard of review, holding that the ultimate question of likelihood of confusion is reviewable *de novo* on appeal. *See, e.g., Jeffrey Milstein, Inc. v. Greger, Lawlor, Roth, Inc.*, 58 F.3d 27, 34 (2d Cir. 1995) ("the ultimate evaluation of likelihood of confusion, which is based on a weighing of the factors, we review *de novo*"); *Merriam-Webster, Inc. v. Random House, Inc.*, 35 F.3d 65, 70 (2d Cir. 1994) ("Whether likelihood of confusion exists is a matter of mixed fact and law reviewed *de novo.*"), *cert. denied*, 115 S. Ct. 1252 (1995). The Federal Circuit likewise holds that likeli-

hood of confusion is a legal question subject to *de novo* review by the appellate court. *See, e.g., Sweats Fashions, Inc. v. Pannill Knitting Co.*, 833 F.2d 1560, 1565 (Fed. Cir. 1987) ("The uniform precedent of this court is that the issue of likelihood of confusion is one of law."); *Giant Food, Inc. v. Nation's Foodservice, Inc.*, 710 F.2d 1565, 1569 (Fed. Cir. 1983) ("we hold that the issue of likelihood of confusion is the ultimate conclusion of law to be decided by the court, and that the clearly erroneous rule is not applicable").

Unlike the Second, Sixth, and Federal Circuits, however, all of the remaining circuits have concluded that the ultimate determination of likelihood of confusion is instead a *factual* question to be reviewed only for clear error on appeal. *E.g., Equine Technologies, Inc. v. Equitechnology, Inc.*, 68 F.3d 542, 546 (1st Cir. 1995) ("The determination as to whether a likelihood of confusion exists is a question of fact, which we review only for clear error."); *Country Floors, Inc. v. Gepner*, 930 F.2d 1056, 1063 (3d Cir. 1991) ("[u]nder this Court's precedents, '[l]ikelihood of confusion is a fact [question] normally reviewable under the clearly erroneous standard'"); *Shell Oil Co. v. Commercial Petroleum, Inc.*, 928 F.2d 104, 108 (4th Cir. 1991); *Engineering Dynamics, Inc. v. Structural Software, Inc.*, 26 F.3d 1335, 1350 (5th Cir. 1994) ("[A] finding of infringement requires a consideration of the likelihood of confusion. This court will reverse these relevant findings of fact only upon a showing of clear error.") (citation omitted), *supplemented on denial of reh'g*, 46 F.3d 408 (5th Cir. 1995); *Smith Fiberglass Prods., Inc. v. Ameron, Inc.*, 7 F.3d 1327, 1329 (7th Cir. 1993) ("This circuit repeatedly has held that the conclusion of a trial court regarding likelihood of confusion is a finding of fact, and we reverse such findings only if they are clearly erroneous."); *Anheuser-Busch, Inc. v. Balducci Publications*, 28 F.3d

769, 773 (8th Cir. 1994) ("The determination of whether 'likelihood of confusion' exists is a factual determination which we review under the clearly erroneous standard."), *cert. denied*, 115 S. Ct. 903 (1995); *Pacific Telesis Group v. International Telesis Communications*, 994 F.2d 1364, 1367 (9th Cir. 1993) ("It is now firmly established that we review a district court's finding of likelihood of confusion and reverse only if the district court's finding was clearly erroneous"); *Cardtoons, L.C. v. Major League Baseball Players Ass'n*, 95 F.3d 959, 967 (10th Cir. 1996) ("Likelihood of confusion is a question of fact that we review for clear error."); *Dieter v. B&H Indus. of Southwest Fla., Inc.*, 880 F.2d 322, 325 n.2 (11th Cir. 1989) ("Determination of 'likelihood of confusion' is a factual issue which is reviewed under the 'clearly erroneous' standard of Federal Rule of Civil Procedure 52(a)."), *cert. denied*, 498 U.S. 950 (1990). Thus, the circuit split on this issue extends to every court of appeals in the Nation.

The existence of this wide circuit conflict has been noted in previous petitions for writs of certiorari, but the Court (over dissents in several cases) has not yet resolved the conflict. *See, e.g., Enco Mfg. Co. v. Clamp Mfg. Co.*, 493 U.S. 872, 904 (1989) (White, J., dissenting from denial of certiorari); *Euroquilt, Inc. v. Scandia Down Corp.*, 475 U.S. 1147 (1986) (White, J., dissenting from denial of certiorari); *Elby's Big Boy of Steubenville, Inc. v. Frisch's Restaurants, Inc.*, 459 U.S. 916 (1982) (White, J., dissenting from denial of certiorari). As the authorities cited above demonstrate, however, the circuit conflict shows no signs of resolving itself with the passage of time. Indeed, the Second, Sixth, and Federal Circuits have repeatedly reaffirmed their adherence to the minority approach, de-

spite the existence of contrary authority in other circuits.[15] As a result, there is no reason to believe that the decisional conflict will ever be eliminated absent review by this Court.

The fact that this case arises on summary judgment, rather than after a full trial on the merits, does not eliminate the need to resolve the question of the proper standard of review. If, as the Sixth Circuit held below, likelihood of confusion is a pure question of law, the dispositive issue on appeal or certiorari is whether the reviewing court believes that the undisputed facts demonstrate likelihood of confusion. On the other hand, if the likelihood-of-confusion determination is

---

[15]In *Bristol-Myers Squibb Co. v. McNeil-P.P.C., Inc.*, 973 F.2d 1033 (2d Cir. 1992), for example, the Second Circuit expressly recognized that "[t]he standard of appellate review of a district court's conclusion regarding the likelihood of confusion between two products has split the courts of appeals." 973 F.2d at 1043. Nonetheless, the court adhered to its minority view that "[i]n this Circuit, . . . the ultimate balancing of all the . . . factors to determine the likelihood of confusion in any given case is done *de novo* by this Court." *Id.* The Second Circuit has consistently reaffirmed this approach in recent cases (*see, e.g., Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 502 (2d Cir. 1996) ("we review de novo the district court's comprehensive application of the [eight likelihood-of-confusion] factors"), as have the Sixth and Federal Circuits. *See, e.g., Champions Golf Club, Inc. v. The Champions Golf Club, Inc.*, 78 F.3d 1111, 1116 (6th Cir. 1996) ("We . . . review de novo the legal question of whether th[e] foundational facts constitute a 'likelihood of confusion.'"); *In re Shell Oil Co.*, 992 F.2d 1204, 1206 (Fed. Cir. 1993) ("*de novo* review as to the ultimate question of likelihood of confusion"); *Lloyd's Food Prods., Inc. v. Eli's, Inc.*, 987 F.2d 766, 767 (Fed. Cir. 1993) ("The . . . determination of whether there is a likelihood of confusion or not is reviewed by this court as a question of law based on underlying facts.").

instead a factual issue, the question for decision is whether a reasonable factfinder *could* find likelihood of confusion or the absence thereof. Thus, an appellate court cannot properly review a summary judgment ruling without first deciding whether the ultimate issue resolved on summary judgment is one of fact or law. As a result, the standard-of-review question is squarely presented in this case, and review is warranted to resolve this longstanding circuit conflict.

CONCLUSION

The decision below conflicts with relevant decisions of this Court and of the courts of appeals, and raises questions of exceptional importance regarding the nature and scope of federal protection for trademarks and service marks under the Lanham Act. For all of the reasons set forth above, the petition for a writ of certiorari should be granted.

Respectfully submitted.

THOMAS L. GERBER
HOLIDAY INN WORLDWIDE
Corporate Headquarters
Suite 2900
Three Ravinia Drive
Atlanta, Georgia 30346

THEODORE B. OLSON
Counsel of Record
THOMAS G. HUNGAR
RAYMOND KU
GIBSON, DUNN & CRUTCHER LLP
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036
(202) 955-8500

LAURENCE R. HEFTER
B. BRETT HEAVNER
FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER LLP
1300 I Street, N.W.
Washington, D.C. 20005

Attorneys for Petitioner

November 19, 1996

APPENDICES

APPENDIX A

Nos. 94-6257/6326/6328/6365

UNITED STATES COURT OF APPEALS

FOR THE SIXTH CIRCUIT

HOLIDAY INNS, INC. (94-6365), *Plaintiff-Appellee, Cross-Appellant* *v.* 800 RESERVATION, INC. (94-6326), EARTHWINDS TRAVEL, INC. (94-6328), and CALL MANAGEMENT SYSTEMS, INC. (94-6257), *Defendants-Appellants, Cross-Appellants.*	ON APPEAL from the United States District Court for the Eastern District of Tennessee

---

Decided and Filed June 24, 1996

Before: BOGGS and DAUGHTREY, Circuit Judges; McKEAGUE, District Judge.*

MARTHA CRAIG DAUGHTREY, Circuit Judge. Holiday Inns, Inc., filed this Lanham Act suit against the defendants, alleging unfair competition and infringement of its trademark telephone number, 1-800-HOLIDAY, known as a "vanity number." The defendants, Call Management Systems, Inc. (a consulting firm that obtains and services 1-800 telephone numbers for businesses), 800 Reservations, Inc. (an agency that makes reservations for a number of hotel chains, including Holiday Inns), and Earthwinds Travel, Inc. (a travel agency) had secured the use and were engaged in using a telephone number that potential Holiday Inns customers frequently dial by mistake when they unintentionally substitute the number zero for the letter "O." That number, 1-800-405-4329, corresponds to the alphanumeric 1-800-H[zero]LIDAY, known in the trade as a "complementary number." It is referred to in this opinion as "the 405 number" to distinguish it from the Holiday Inns numeric, 1-800-465-4329. The district court, although noting that the defendants were violating only the "spirit" and not the "letter" of the Lanham Act, nevertheless granted Holiday Inns partial summary judgment and permanently enjoined 800 Reservations and Call Management from using the 405 number. The court, however,

---

* The Honorable David W. McKeague, United States District Judge for the Western District of Michigan, sitting by designation.

declined to award the plaintiff enhanced costs and attorneys fees.

The defendants appeal the ruling on the merits, and Holiday Inns cross-appeals the district court's denial of costs and fees. For the reasons stated below, we conclude that the defendants' use of the 405 number did not violate the Lanham Act, and we therefore reverse the judgment entered in the district court except as to the denial of costs and fees, which we affirm.

I.

Since 1952, Holiday Inns has operated an international chain of hotels through both franchise agreements and on its own, utilizing the name "Holiday Inn." The hotel chain has advertised extensively and has offered its products and services throughout the United States. The company owns, operates, and licenses approximately 1,300 hotels in the United States and spends between $20,000,000 and $30,000,000 per year on advertising. As a result of its efforts, the district court found that Holiday Inns has earned favorable recognition and acceptance by the traveling public. Holiday Inns, Inc. owns registration in the United States Patent and Trademark Office for several service marks, including the "Holiday Inn" mark, which was registered in 1954.

Holiday Inns has invested a great deal of time, money, and effort to increase the traveling public's awareness of its 1-800-HOLIDAY phone number, which can be dialed to secure reservations or to obtain information about lodging facilities. According to the vice president of Holiday Inns's marketing, the company's vanity number is included in virtually all of its extensive media, print, and radio advertisements. The

telephone number is not, however, officially registered as a trademark.

Call Management operates as a "service bureau," formed to assist business customers in obtaining and processing their 1-800 numbers. Albert H. Montreuil, the 50% owner of Call Management, admitted that through his experience with Call Management and its 1-800 numbers, he became aware of the fact that consumers frequently misdial vanity numbers. The most common mistakes made by consumers occur when they dial the number "0" (zero) for the letter "O" and the number "1" (one) for the letter "I." If the complementary numbers dialed in error are not in active use, callers receive a busy signal or a recorded message that indicates that the number is not in service.

Indeed, the phenomenon of misdialed vanity numbers is apparently so well known that businesses and hotel chains like the Marriott and Red Roof Inns, for example, subscribe to both their vanity and complementary numbers in order to ensure receiving calls from all their potential customers. Holiday Inns, however, neglected to take this precaution and did not reserve any complementary numbers.

When Montreuil discovered that numbers complementing 1-800-HOLIDAY had not been reserved, he decided, in May 1993, to reserve them for Call Management. In fact, Montreuil freely admitted during the preliminary injunction hearing that his "sole purpose" in choosing the 405 number was to intercept calls from misdialed customers who were attempting to reach Holiday Inns, and he acknowledged that his company reaped benefits in direct proportion to Holiday Inns's efforts at marketing 1-800-HOLIDAY for securing reservations.

On June 15, 1993, Call Management entered into a verbal agreement with defendant Earthwinds, by which Earthwinds agreed to process calls from customers on the 405 number in return for 10% of all commissions received for placing hotel bookings. The parties further agreed that Earthwinds would answer calls on this 800 service until defendant 800 Reservations was ready to begin operations on its own.

On August 18, 1993, Call Management terminated its arrangement with Earthwinds. As a result, the 405 number was not operational from August 18 to August 20, 1993, when it was reactivated for use by 800 Reservations. At that time, however, Holiday Inns filed suit and moved for a temporary restraining order to enjoin defendants' use of the 405 number. It also sought to restrain defendants from using the "Holiday Inns" trade name or trademark in connection with the advertising or sale of products or services, from representing themselves to be connected with Holiday Inns, and from injuring Holiday Inns's business reputation.

At the district court level, one of the principal disagreements between the parties was whether a customer who had dialed Holiday Inns's complementary number would always receive defendants' recorded message. Defendants insisted that a caller dialing the 405 number would hear the following recorded message at the beginning of *every* call:

> Hello. You have misdialed and have not reached Holiday Inns or any of its affiliates. You've called 800 Reservations, America's fastest growing independent computerized hotel reservation service. One of our highly trained hotel reservation specialists will be with you momentarily to provide the Holiday

> Inns number or to assist you in finding the lowest rate at over 19,000 properties worldwide, including such hotel chains as Holiday Inns, Guest Quarters, Hampton Inn, Sheraton, Comfort Inn, and many more. If you are a member of a hotel's frequent guest program, have that number ready. Please stay on the line, assistance is just a moment away.

They further claimed that the phone answering system was equipped with certain safeguards and that customers could not bypass the recorded message.

Holiday Inns nevertheless offered affidavits to support its contention that the above message did not play at the beginning of every call. The district court, however, found it unnecessary to resolve this factual dispute, because it determined that sufficient factors existed to grant a preliminary injunction even if the purported message was heard by every customer who dialed the 405 number. The district court found that, because Holiday Inns and the defendants use different computerized reservations systems, Holiday Inns suffered two adverse consequences from the defendants' use of the 405 number. First, 800 Reservations might inform a customer that a particular Holiday Inn had no rooms available when, in fact, vacancies did exist; and, second, a customer would more likely obtain a favorable room rate by contacting Holiday Inns directly, as opposed to contacting 800 Reservations through Holiday Inns's complementary number.[1]

---

[1] The defendants emphasize that the price of a given room is the same whether one makes a reservation through Holi-

[Footnote continued on next page]

The district court granted Holiday Inns's motion for a temporary restraining order, which it later converted into a preliminary injunction. *Holiday Inns, Inc. v. 800 Reservation, Inc.*, 838 F. Supp. 1247 (E.D. Tenn. 1993). Defendants Call Management and 800 Reservations each moved to modify the preliminary injunction to permit operation of the 405 number with a revised disclaimer explaining Call Management's status as an independent travel agency and further instructing callers how to reach Holiday Inns if they should so desire.[2]

[Footnote continued from previous page]

day Inns's internal reservation system or through 800 Reservations. The *average* rate, however, may be lower in cases of direct bookings because Holiday Inns is able to provide group discounts, military reductions, government discounts, and other bargains which travel agencies cannot.

[2] Call Management sought to use this revised message which would play each time a customer dialed 1-800-H[zero]LIDAY:

> Hello. You have reached Call Management Systems, Inc. If you intended to dial 1-800-HOLIDAY, you have dialed the wrong number. To reach 1-800-HOLIDAY, you must spell "Holiday" on the key pad by correctly dialing the letter "O" rather than the "Zero" key. If you wish to reach 1-800-HOLIDAY, you must hang up and redial the number correctly.
>
> Call Management Systems, Inc. is not affiliated, associated, connected with, or sponsored by Holiday Inns, Inc. If you are interested in airline, rental car, and hotel information and rates, Call

[Footnote continued on next page]

Alternatively, the defendants sought the right to use the 405 number for business purposes other than making hotel reservations.

Holiday Inns moved for a partial summary judgment as to the defendants' liability for trademark infringement and unfair competition under the Lanham Act and requested that the district court limit the trial to issues involving the extent and nature of relief to be afforded the plaintiff. The district court granted the motion for partial summary judgment, denied Call Management and 800 Reservations' motion to modify the preliminary injunction, and denied the cross motions for summary judgment filed by the defendants.

Subsequently, the district court entered a final judgment converting its preliminary injunction into a permanent injunction and enjoining Call Management from activating or operating its 405 number. The final order also (1) denied Holiday Inns's request to expand the scope of injunctive relief so as to require defendants to relinquish all rights to the 1-800-405-4329 number; (2) awarded Holiday Inns damages to be paid by Earthwinds in the amount of $6,356.38; and (3) denied Holiday Inns's requests for treble damages and for attorney fees under 15 U.S.C. § 1117.

[Footnote continued from previous page]

> Management Systems, Inc. will be happy to connect you with a travel agent.
>
> To be connected with an independent travel agent, please press "One." Again to reach 1-800-HOLIDAY, you must redial the number correctly.
>
> If you wish to hear this recording again, please press "Two." Thank you.

II.

We review the grant of a motion for summary judgment *de novo*, using the same test employed by the district court. *Wiley v. United States*, 20 F.3d 222, 224 (6th Cir. 1994). Thus, summary judgment is proper "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). The "mere existence of *some* alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no *genuine* issue of *material* fact." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986) (emphasis in original); *American Cas. Co. v. F.D.I.C.*, 39 F.3d 633, 636 (6th Cir. 1994).

In order to avoid summary judgment in a Lanham Act case alleging violations of § 32 (15 U.S.C. § 1114),[3] and

---

[3] Section 1114(1)(a) provides, in pertinent part:

> (1) Any person who shall, without the consent of the registrant--
>
> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale . . . or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant . . . .

15 U.S.C. § 1114(1)(a).

§ 43 (15 U.S.C. § 1125),[4] the nonmoving party must establish that genuine factual disputes exist concerning those factors that are material to whether confusion is likely in the marketplace as a result of the alleged infringement. *Homeowners Group, Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1107 (6th Cir. 1991). The general requirement underlying a showing of the

---

[4] Section 1125(a)(1) provides, in pertinent part:

> Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--
>
> > (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or
> >
> > (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities,
>
> shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. § 1125(a)(1).

likelihood of confusion is that the public believes that "the mark's owner sponsored or otherwise approved the use of the trademark." *Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831, 834 (6th Cir. 1983) (quoting *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 205 (2d Cir. 1979)). To assess the consumer's "likelihood of confusion" in the marketplace, this court has identified a number of factors which should be examined, including: (1) strength of the plaintiff's mark; (2) relatedness of the services; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care and sophistication; (7) intent of the defendant in selecting the mark; and (8) likelihood of expansion of the product lines using the marks. *Frisch's Restaurants, Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642, 648 (6th Cir.), *cert. denied*, 459 U.S. 916 (1982) (citing *Toho Company, Ltd. v. Sears, Roebuck & Co.*, 645 F.2d 788, 790 (9th Cir. 1981)).

This court considers the question of whether there is a "likelihood of confusion" as a mixed question of fact and law. Thus, when reviewing a district court's decision, we apply a clearly erroneous standard to findings of fact supporting the existence of these "likelihood of confusion" factors, but review *de novo* the legal question of whether those foundational facts actually establish a "likelihood of confusion." *Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1186 (6th Cir. 1988) (citing *Frisch's Restaurant, Inc. v. Shoney's, Inc.*, 759 F.2d 1261, 1264 (6th Cir. 1985)).

III.

Holiday Inns claims that the defendants violated the Lanham Act by their "use" of Holiday Inns's trademark.

The defendants argue, however, that Call Management never *used* Holiday Inns's registered mark nor any other variant of Holiday Inns's trademark. They only used the phone number, 1-800-405-4329 -- that is, a number which is neither phonetically nor visually similar to Holiday Inns's trademark, 1-800-HOLIDAY.[5]

The district court agreed with the defendants' argument and found that Call Management never used "1-800-HOLIDAY" or any of Holiday Inns's marks, and "never advertised or publicized anything to do with Holiday Inns or its telephone number."[6] The district judge, therefore, found that in this unique case the defendants also did not *create* the consumers' confusion, but that the defendants merely took advantage of confusion already in existence. The district court nevertheless concluded that this behavior was "parasitic" and stated:

---

[5] The defendants concede that "Holiday Inns has trademark rights in its 1-800-HOLIDAY designation." Thus, we need not address the threshold issue of whether 1-800-HOLIDAY, an unregistered cipher, is, indeed, a trademark entitled to protection from infringement. The crux of the defendants' argument is that Holiday Inns's numeric of 1-800-465-4329 is *not* protected as a trademark.

[6] 800 Reservations ran a small classified ad in a statewide newspaper during the period of July 5-25, 1993. The advertisement stated: "FOR ALL YOUR HOTEL reservations needs. Call The Reservation Network at 1-800-405-4329. We represent thousands of chain properties with our on-line computer network. CALL NOW." After this initial "run," the advertisement was discontinued.

> The defendants derive benefit *solely* from Holiday Inns reputation. In fact, defendants have no independent reputation. The consumer is not even aware of defendants' existence until after he has misdialed Holiday Inns' vanity number. If not for Holiday Inns spending millions of dollars on advertising each year, defendants would have no service whatsoever to provide to the consumer. For the defendants to be able to reap profits based solely on the advertising efforts and expenditures of others *seems to be a clear violation of the spirit, if not the letter, of the Lanham Act.*

(Emphasis added.)

The few courts that have addressed similar issues have agreed that telephone numbers may be protected as trademarks and that a competitor's use of a confusingly similar telephone number may be enjoined as both trademark infringement and unfair competition. *See, e.g. Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675, 678 (2d Cir. 1989). In *Dial-A-Mattress*, the plaintiff was the customer of record for the local telephone number 628-8737 in the various area codes of the New York metropolitan region. Dial-A-Mattress Franchise Corp. had advertised extensively its services and its phone number in the area with the phrase "DIAL-A-MATTRESS and drop the last 'S' for savings." *Id.* at 676. The defendant, Page, obtained the right to use 1-800-628-8737 (or 1-800-MATTRES) and promoted his number as 1-800-MATTRESS. *Id.* at 677. Dial-A-Mattress brought suit seeking an injunction and damages on claims of trademark infringement, unfair competi-

tion, and unjust enrichment under federal and New York law.

The Second Circuit held that although the term "mattress" is a generic term generally not entitled to protection under trademark law, telephone numbers that correlate with generic terms may be entitled to protection. *Id.* at 678. It further determined:

> [D]efendant's use of the telephone number 1-800-628-8737 was confusingly similar to plaintiff's telephone number 628-8737 in those area code regions in which plaintiff solicited telephone orders, *especially in view of defendant's identification of its number as 1-800-MATTRESS after plaintiff had promoted identification of its number as (area code)-MATTRES.*

Id. at 678 (emphasis added).

Despite Holiday Inns's reliance upon the *Dial-A-Mattress* decision, we find the instant case and the Second Circuit opinion clearly distinguishable. In *Dial-A-Mattress*, for example, the defendant intentionally *promoted* his vanity number and actively *caused* confusion; in our case, the defendants engaged in only minimal advertisement of their travel agency and never promoted a vanity number.

Holiday Inns also relies on *Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852 (3d Cir. 1992), for the proposition that telephone numbers are protectable if the mark has acquired a secondary meaning. In the present case, however, the defendants concede that Holiday Inns's vanity number, "1-800-HOLIDAY," although unregistered, is fully entitled to trademark protection. Thus, *Dranoff-Perlstein* addresses an issue not before us in this case.

The defendants, on the other hand, cite cases which suggest that the active *promotion* of a deceptively similar vanity number is necessary before the trial court can conclude that unlawful infringement has occurred. In *American Airlines, Inc. v. A 1-800-A-M-E-R-I-C-A-N Corp.*, 622 F. Supp. 673 (N.D. Ill. 1985), for example, the defendant falsely advertised its airline reservation service as an airline company in the yellow pages and listed its company name as "A 1-800-A-M-E-R-I-C-A-N." In finding a Lanham Act violation, the court clarified that the defendant's "wrongful conduct lies in its *misleading use* of the 'Airline Companies' yellow-pages listing *rather than its mere use of its telephone number [1-800-AMERICAN] . . . as such . . . .*" *Id.* at 682 (emphasis added). In other words, the court issued an injunction because the defendant's publicity efforts misled the public and not because the defendant activated a 1-800 number that appeared confusingly similar to the trademark, "American Airlines." *See also Murrin v. Midco Communications Inc.*, 726 F. Supp. 1195, 1200-01 (D. Minn. 1989) (granting a limited injunction forbidding the advertisement or use of the vanity number 1-800-LAWYER with "dial" or with any symbols resembling dots or hyphens between the letters "LAWYERS" but explicitly rejecting the argument that *any use* of the phone number 529-9377 -- which spells "lawyers" on the telephone keypad -- constitutes infringement upon Murrin's "Dial L.A.W.Y.E.R.S." service mark).

We conclude that although Holiday Inns owns trademark rights in its vanity number 1-800-HOLIDAY, it cannot claim such rights to the 405 number. It follows that the defendant, Call Management, is the rightful assignee of the telephone number 1-800-405-4329.

The plain language of §32 of the Lanham Act forbids only the "*use* in commerce [of] any reproduction, counterfeit, copy, or colorable imitation of a registered mark . . . which . . . is likely *to cause* confusion." 15 U.S.C. § 1114 (emphasis added). Additionally, § 43(a) of the Act provides a cause of action only against "[a] person who . . . *uses* in commerce any word, term, name, symbol, or device . . . or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact . . . ." 15 U.S.C. § 1125(a) (emphasis added). The defendants in this case never *used* Holiday Inns's trademark nor any facsimile of Holiday Inns's marks. Moreover, the defendants did not *create* any confusion; the confusion already existed among the misdialing public. The defendants forward a plausible argument that the service bureau and its travel agents may have helped dispel the confusion by answering calls that would have gone unanswered and informing the customers of their error. In addition, Holiday Inns neglected to take the simple precaution of reserving its complementary number -- a practice which many of its competitors have chosen to take.

Even the district court candidly admitted in its opinion that the defendants did not violate the *letter* of the Lanham Act. Holiday Inns also acknowledges that "[g]iven the creative nature of the scheming mind, the law cannot hope to spell out every forbidden act but must be content with general rules which limit competition to that which is fair and 'stop people from playing dirty tricks.'" Thus, both the district court and Holiday Inns acknowledge that the defendants never used a mark or a deceptively similar copy of a mark owned by Holiday Inns -- an essential element of proof of a Lanham

Act violation. Despite its failure to make this threshold showing, however, Holiday Inns still argues that a "likelihood of confusion" existed among consumers and that such probable confusion establishes the Lanham Act violation. Holiday Inns, in fact, insists that all eight factors which tend to establish the existence of a "likelihood of confusion" undermine the defendants' position in this case.[7] In particular, Holiday Inns emphasizes that the defendants *intended* to intercept calls meant for 1-800-HOLIDAY and cites *Frisch's Restaurants, Inc. v. Elby's Big Boy, Inc.*, for the proposition that the "intent of defendants in adopting [their mark] is a critical factor, since if the mark was adopted with the intent of deriving benefit from the reputation of [the plaintiff,] *that fact alone may be sufficient to justify the inference that there is confusing similarity.*" *Frisch's Restaurants, Inc.*, 670 F.2d at 648 (emphasis added) (quoting *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 263 (5th Cir. 1980), *cert. denied*, 449 U.S. 899 (1980)).

Nevertheless, the defendants' use of a protected mark or their use of a misleading representation is a *prerequisite* to the finding of a Lanham Act violation. Absent such a finding, the eight-factor test of *Frisch's Restau-*

---

[7] The district judge declined to make any findings and conclusions regarding the eight "likelihood of confusion" factors. He merely noted that "because this case is one of first impression, all previous analyses of the Lanham Act . . . provide only a starting point for determining whether defendants in this case are violating § 43(a) of the Lanham Act."

rants, Inc. is irrelevant. Holiday Inns does not offer, and our own research has not produced, a case in which the defendant neither *used* the offending mark nor *created* the confusion and yet was deemed to have committed a trademark infringement. We believe that stretching the plain language of the Lanham Act to cover the present dispute is unjustified. As a matter of law, therefore, we hold that Call Management, 800 Reservations, and Earthwinds Travel did not violate §§ 32 and 43 of the Lanham Act by the use of the 405 number.

IV.

In light of the foregoing analysis, we **REVERSE** the district court's grant of partial summary judgment to Holiday Inns. We also conclude that the district court abused its discretion in granting the permanent injunction against the defendants and hereby **DISSOLVE** that injunction. Consequently, Holiday Inns is entitled to neither enhanced damages nor attorneys' fees. That portion of the judgment of the district court that comports with this conclusion is **AFFIRMED**.

APPENDIX B

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
AT KNOXVILLE

HOLIDAY INNS, INC.,	)	
	)	
Plaintiff	)	
	)	
v.	)	No. 3:93-cv-
	)	0512
	)	
800 RESERVATION, INC.	)	
EARTHWINDS TRAVEL, INC.,	)	
d/b/a EARTHWINDS TRAVEL	)	
AGENCY, and CALL	)	
MANAGEMENT SYSTEMS, INC.,	)	
	)	
Defendants	)	

[Entered Nov. 15, 1993]

MEMORANDUM OPINION

This action seeks injunctive relief and compensatory and punitive damages for infringement of service marks and unfair competition under the trademark laws of the United States, 15 U.S.C. §§ 1051, *et seq.*, and under the trademark laws of Tennessee, Tenn. Code Ann. §§ 47-25-501, *et seq.* Plaintiff also alleges related state claims of interference with prospective business advantage, unjust enrichment, unfair competition, and interference with business relationship. Specifically, this action

arises out of defendants' use of a toll-free reservation number which is similar to Holiday Inns' toll-free reservation number. Holiday Inns has utilized the toll-free number 1-800-HOLIDAY, *i.e.*, 1-800-465-4329, for 10 years. On May 30, 1993, defendants purchased the toll-free number 1-800-H[zero]LIDAY, *i.e.*, 1-800-405-4329. Holiday Inns alleges that defendants purchased its number "in a blatant attempt to expand its reservation business by intercepting calls the traveling public intends for [Holiday Inns]." [*See* Doc. 3, p.1].

This matter came before the court on October 12, 1993 on plaintiff's motion for a preliminary injunction. After consideration of the pleadings, the testimony of the witnesses and the exhibits introduced at the hearing, the parties' briefs, the arguments of counsel, and the applicable law, the court converted the temporary restraining order [Doc. 7], as extended by agreement of the parties [*see* Doc. 11], into a preliminary injunction [*see* Doc. 33]. This opinion shall serve to clarify the court's reasons for the issuance of the preliminary injunction. *See* Rule 65(d), Federal Rules of Civil Procedure; *see also* Rule 52(a), Federal Rules of Civil Procedure.

I.

Most of the facts of this case of first impression are undisputed. Since 1952, Holiday Inns has been in the business of operating, in its own name and through license agreements, a world-wide network of hotels utilizing the name "Holiday Inn" and associated trade and service marks. In conducting this business, Holiday Inns owns, operates and licenses a system of operation designed to provide distinctive, high quality products and services to the public under its trade name. Holiday

Inns' products and services have been extensively advertised and offered throughout the United States and have earned enormous commercial success and favorable recognition and acceptance among consumers. In connection with these activities, Holiday Inns has registered hundreds, if not thousands, of marks around the world. A few of these are as follows:

Registration No.	Mark	Services
592539	Holiday Inn	Hotel and restaurant services
1555275	Holiday Inn Crowne Plaza	Hotel and restaurant services
812308	Holidex	Reservations services
1064668	Holidome	Health club

As an important component of its marketing effort, and in order to make it more convenient for the traveling public to reserve rooms at Holiday Inns throughout the world, Holiday Inns has utilized a toll free 1-800 number since 1983.[1] In order to enhance the usefulness of a

---

[1] "800 Service " is widely recognized as a specialized long-distance offering which enables a subscriber to receive calls from any geographic location without charge to the party originating the call. Businesses employ 800 Service to enable the public to reach them without incurring a long distance charge. 800 Service has therefore become an essential marketing tool for businesses seeking to enable the

[Footnote continued on next page]

1-800 number, businesses often obtain vanity or mnemonic 800 numbers. These numbers use the letters on the telephone key pad to spell an easily remembered word corresponding to their 800 telephone number. Thus, Holiday Inns utilizes 1-800-HOLIDAY or 1-800-465-4329. As with its other marketing enterprises, Holiday Inns has invested a great deal of time, money and effort to increase the traveling public's awareness of its 1-800-HOLIDAY phone number.

This litigation has its genesis in a change for the 800 Service which occurred on May 1, 1993 at the direction of the Federal Communications Commission ("FCC"). Until that date, local telephone company equipment was capable of directing or routing 800 calls based only on the first three digits following the 800 prefix. Thus, with regard to the telephone number at issue, all calls to 1-800-465-0001 through 9999 had to be sent to the same long distance company by the local telephone companies. The long distance carrier's equipment then sent the call to the proper recipient by reading the last four digits. As a result of this system, 800 service numbers had to be assigned to long distance carriers in blocks of 10,000.

This telephone company routing technique obviously made users of 800 Service vanity numbers captive customers of the long distance company assigned to their specific number. If the 1-800-465-xxxx series was assigned to AT&T, for example, a business using a vanity

---

[Footnote continued from previous page]

public to make advance reservations, such as airlines, hotels, and car rental agencies.

number in that series could not switch to MCI without relinquishing its number. Recognizing that this system limited customer choice and impaired competition, the FCC directed that it be revised. Thus, beginning May 1, 1993, a new local telephone company system was implemented for 800 Service. Under this new plan, local telephone companies are now able to route 800 number calls based on all seven digits of the number following 800, rather than just the first three digits. This new system makes 800 numbers "portable" allowing users of vanity numbers to switch long distance carriers without losing their special 800 number.

With this change came the opportunity to purchase 800 Service numbers which had been previously unavailable. Of particular significance to this litigation was the opportunity to purchase a "complementary" number for 1-800-HOLIDAY which, in this case, is 1-800-H(zero)LIDAY. A complementary number is a euphemism for a misdialed number -- except it is a misdialed number which can be easily predicted. It is well known in the telecommunications field that vanity 800 numbers are often misdialed. In fact, a report in the New York Times[2] over a year ago described this phenomena and the experience one company (U.S. Sprint) encountered with callers confusing the "O" in a word with "0" (zero) on the telephone key pad:

> But word play numbers are giving consumers and some businesses fits. It is not uncommon to spend minutes fumbling across a dial

---

[2] Barry Meier, "For a Special Number, Dial (800) VANITY," *New York Times*, July 11, 1992, ¶ 1, at p.46.

> pad to spell out a seven-letter word. Even the Sprint Corporation, which like all long distance carriers arranges special numbers for other businesses, has found that consumers who try to dial its toll-free number, (800) PINDROP, sometimes have problems getting through.
>
> 'People often confuse the letter "O" and zero when they dial,' said Richard Goulet, a director of business-product marketing for Sprint. For that reason, the company has taken out two telephone numbers: one in which the letter "O" in PINDROP is the "6" on the dial or key pad; the other in which it is the zero.

Because of this phenomena, some long distance carriers encourage their clients to subscribe to both the vanity and complementary numbers. Many companies, including hotel chains like Marriott and Red Roof Inns, have done so. Others, like Holiday Inns, have not. In the event that these complementary numbers are not assigned or are not in active use, callers who reach them will receive a busy signal or a recorded message indicating the number is out of service. Obviously, if the complementary number is assigned to another user and is active, then callers will reach that entity.

Defendant Call Management Systems, Inc. ("CMS"), a Tennessee corporation, is the customer of record for Holiday Inns' complementary number, 1-800-H(zero)LIDAY. Albert H. Montreuil owns 50% of the stock of CMS and Blake Bookstaff owns the other 50%. CMS has been in business for approximately two and a half years and operates as a "service bureau." Mr. Montreuil describes a service bureau as "an organization that assists customers in obtaining and providing various tele-

communications services." [*See* Doc. 21, Attachment B, ¶7]. CMS's advanced telecommunications equipment enables it to maximize the benefits of using 800 Service. For example, CMS has the capability to electronically answer as many as 212 simultaneous calls for its customers. Without such equipment, most callers would get a busy signal [*see id.*].

CMS's sophisticated computerized telecommunications system can receive calls made from across the country on an 800 number through a central answering system which can prescreen calls and then provide automated menu options and information to callers. Furthermore, the system can recognize when a live operator is necessary and will transfer the call to a location designated by the customer for connection to that live operator. CMS currently provides these telecommunications services for the State of Tennessee, the Gatlinburg Chamber of Commerce, the Pigeon Forge Department of Tourism, Dollywood, and many other Gatlinburg area businesses. As a result, the CMS system answers about 6,000 calls per day [*see id.*, ¶8].

Mr. Montreuil became aware of the complementary number concept based on his experiences with CMS and, in particular, CMS's experiences with its own telephone numbers. By contract, CMS answers calls for Dollywood, an amusement theme park located in Pigeon Forge, Tennessee. It is owned in part by Dolly Parton, a popular country singer. The park's telephone number is

1-800-365-5996, *i.e.*, 1-800-DOLLYWOOD.[3] Despite an adequate amount of equipment dedicated to answering the park's lines, many consumers complained that they were unable to contact an operator when dialing the telephone number. When Mr. Montreuil investigated this problem, he discovered no technical difficulties with CMS's equipment. Instead, Mr. Montreuil discovered that consumers were mistaking the letter "O" in Dollywood for the number "Zero". These customers were therefore dialing "Zero" rather than the number 6. CMS subsequently secured most of the complementary telephone numbers for 1-800-365-5996 to insure that its customer obtained the most value from its 800 Service [*see id.*, ¶ 18].

Based upon this and other similar experiences with 800 Service numbers, Mr. Montreuil determined that large volume users of 800 Service who choose not to answer their own complementary numbers might be interested in paying a service bureau to do so. As part of this endeavor, Mr. Montreuil purchased Holiday Inns' complementary number, 1-800-H(zero)LIDAY in early May 1993. On June 15, 1993, CMS entered into a verbal agreement with defendant Earthwinds Travel, Inc., d/b/a Earthwinds Travel Agency ("Earthwinds"). Earthwinds agreed to terminate and process calls from consumers on 1-800-405-4329 in return for 10% of all commissions received for placing hotel bookings. The parties further agreed that Earthwinds would answer calls on this 800

---

[3] The eighth and ninth digits -- the last O and D in Dollywood -- are, of course, not recognized by the telephone network and are simply omitted by the caller.

Service until defendant 800 Reservations, Inc. ("800 Reservations"), was in a position to do so.

Mr. Montreuil incorporated 800 Reservations on June 30, 1993.[4] Generally, 800 Reservations was formed as a travel agency to provide services to callers to hotel 800 complementary numbers.[5] Not only would 800 Reservations assist callers in reaching their preferred hotel chain, but it would also aid the hotel chain in capturing otherwise lost customers. Of course, Mr. Montreuil expected to establish a unique and profitable travel agency business in the process.

On August 18, 1993, CMS terminated its arrangement with Earthwinds. The telephone number 1-800-405-4329 was not operational from August 18 to August 20, 1993, when it was reactivated for use by 800 Reservations.

At the hearing on October 12, 1993, other evidence was introduced which has a bearing on the court's

---

4 Messrs. Montreuil and Bookstaff each own 42% of the stock; Thomas M. Grubbs owns 16% of the stock. [*See* Doc. 21, Ex. B, ¶3]. Mr. Grubbs is the principal operator of Earthwinds Travel.

5 During the preliminary injunction hearing, Mr. Montreuil testified that he had also purchased the other complementary number for 1-800-HOLIDAY which is 1-800-HOL(one)DAY. In addition to Holiday Inns, 800 Reservations has purchased complementary numbers for the vanity numbers of the following hotel chains: Hampton Inns, Howard Johnson, Stouffers Hotels, Loews Hotels, Sheraton, Compri Hotels, Savoy Hotels, Peabody Hotels and Days Inns.

analysis. Janet Poley, the Director of Travel Delivery Systems for Holiday Inns, testified that there are five major computerized reservations systems ("CRS") which she described as "one stop shopping." One of these, System 1, is used by defendants. Only eight room types and rates are available to defendants on this system. Furthermore, the rates are only updated every 30 days on System I. In contrast, Holiday Inns' CRS, Holidex, can maintain 12 room types and rates. Moreover, the rates are updated daily on Holidex. The significance of this is two-fold. First, it is possible for a customer who reaches 800 Reservations through Holiday Inns' complementary number to be advised that a particular Holiday Inn in Atlanta, for example, has no vacancies (because System 1 reflects that information) when, in fact, rooms are available in that hotel. Moreover, the customer would have been made aware of these vacancies had he been able to contact Holiday Inns directly through its vanity number. Second, it is more likely that a customer will obtain a better room rate by contacting Holiday Inns directly through its vanity number as opposed to contacting 800 Reservations through Holiday Inns' complementary number. In fact, Ann Fant, the Manager of Travel Agent Commissions Services for Holiday Inns, testified that the average daily rate for booking through a travel agency, such as 800 Reservations, is $63.37, as opposed to $57.19 for those reserving rooms through 1-800-HOLIDAY.

The testimony at the hearing also indicated that the commissions paid by Holiday Inns to Earthwinds is as follows:

Month	Commission Payment
September, 1992	$29.95

October, 1992	Zero
November, 1992	$11.02
December, 1992	Zero
January, 1993	$10.70
February, 1993	$25.35
March, 1993	$6.60
April, 1993	$47.30
May, 1993	Zero
June, 1993	$1,144.96
July, 1993	$5,211.42[6]

[*See* Doc. 1, Ex. 2]. Furthermore, Ms. Fant also testified that Holiday Inns had paid $8,888.71 in August, 1993, and that this represented approximately $275,000 worth of room reservations. The present arrangement is therefore not only profitable to defendants, it is also extremely profitable to Holiday Inns. There is certainly credible evidence to suggest that if a customer has misdialed Holiday Inns' toll-free number by dialing its complementary number, only to receive a busy signal, and if that customer persists in receiving a busy signal by continuing to dial the complementary number, then that potential customer for Holiday Inns will eventually contact another hotel chain with a suitable facility in that same city. Based on this evidence, defendants suggest that the issuance of a preliminary injunction not only harms them but also harms Holiday Inns.

---

[6] According to Mr. Montreuil's deposition testimony, the amount owed to 800 Reservations from Holiday Inns for July 1993 is even higher -- "more than half" of $27,000 [*See* Doc. 23, p.24].

Mr. Montreuil also testified during the hearing. Mr. Montreuil candidly admitted that his business was derived primarily from misdialed vanity numbers. Mr. Montreuil also admitted that the more frequently Holiday Inns advertised its vanity number, then the more business he would receive. Mr. Montreuil's intent is clear. He intends to create a profitable business for himself and his employees; he intends to increase profits for Holiday Inns (and other hotels for which he has purchased the complementary numbers); and he intends to provide a unique service to the public.

Most, if not all, of the above facts are undisputed. The principal issue in dispute at the hearing was whether a customer who had dialed Holiday Inns' complementary number would always receive defendants' recorded message or whether the recorded message could be by-passed. If so, then the customer could initially be under the impression that he was speaking with one of Holiday Inns' employees when, in fact, he was speaking directly with one of 800 Reservations' employees. Plaintiff offered the deposition of Douglas E. Slenk [*see* Doc. 27] and the affidavit of Thomas Miller [see Doc. 1, Attachment 4] as well as his deposition [*see* Doc. 27] in support of its position that defendants' system was faulty. Defendants presented testimony at the hearing to indicate that its system was infallible. The court need not resolve this factual dispute for purposes of the pending motion because the court will assume that the following message is always received by the customer dialing Holiday Inns' complementary number:

> Hello. You have misdialed and have not reached Holiday Inns or any of its affiliates. You have called 800 Reservations, America's fastest growing independent computerized

> hotel reservations service. One of our highly trained hotel reservations specialists will be with you momentarily to provide the Holiday Inns number or to assist you in finding the lowest rate at over 19,000 properties worldwide, including such hotel chains as Holiday Inns, Guest Quarters, Hampton Inn, Sheraton, Comfort Inn, and many more. If you are a member of a hotel's frequent guest program, have that number ready. Please stay on the line, assistance is just a moment away.

[*See* Doc. 21, Attachment A, ¶31].

The court notes that the recorded message is somewhat misleading because 800 Reservations describes itself as a reservations service -- not a travel agency. This distinction is significant because travel agencies do not have access to the lowest rates available because they charge commissions. However, if a consumer believes he is dealing with a reservations service, he may also reasonably believe that it is affiliated with the hotel so that a lower rate can be obtained. Nevertheless, for the reasons set forth below, the substitution of the phrase "travel agency" for "reservations service" in the recording would not change the court's opinion with respect to issuing the preliminary injunction.

II.

Holiday Inns alleges that defendants violated two sections of the Lanham Act, §32, 15 U.S.C. §1114 (trademark infringement), and §43, 15 U.S.C. §1125 (unfair competition). Section 32(1)(a) provides in pertinent part:

> Any person who shall, without the consent of the registrant --

> (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale ... or advertising of any goods or services on or in connection with which such use is *likely to cause confusion*, or to cause mistake, or to deceive ...
> shall be liable in a civil action by the registrant.

15 U.S.C. §1114(1)(a) (emphasis added). Section 43(a) provides in pertinent part:

> Any person who shall affix, apply, or annex, or use in connection with any goods or services, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, ... shall be liable to a civil action ... by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

15 U.S.C. § 1125(a). While unfair competition is a broad field within which lies the concept of trademark infringement, the standard for relief is substantially identical – likelihood of confusion. *Wynn Oil Co. v. Thomas*, 669 F. Supp. 831, 834 (M.D. Tenn. 1986), *rev'd in part and aff'd in part*, 839 F.2d 1183 (6th Cir. 1988). Therefore, the alleged violations of trademark infringement and unfair competition will be jointly addressed.

Holiday Inns is entitled to a preliminary injunction if it can show: (A) irreparable harm and (B) either (l) likelihood of success on the merits or (2) sufficiently

serious questions going to the merits to make them a fair ground for litigation and a balance of hardships tipping decidedly toward the party requesting the preliminary relief. *Frisch's Restaurants, Inc. v. Elby's Big Boy*, 670 F.2d 642, 651 (6th Cir.), *cert. denied*, 459 U.S. 916 (1982) (quoting *Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76, 78 (2d Cir. 1981)). *Accord, Versar, Inc. v. Vertac Chem. Corp.*, 573 F. Supp. 844, 846 (W.D. Tenn. 1983). In the context of a Lanham Act claim, both prongs of this test can be established by a single fact. Specifically, "a showing of likelihood of confusion as to source or sponsorship establishes a requisite likelihood of success on the merits as well as risk of irreparable harm." *Standard & Poor's Corp. v. Commodity Exchange, Inc.*, 683 F.2d 704, 708 (2d Cir. 1982) (citing *American Home Products v. Johnson Chem. Co.*, 589 F.2d 103, 106 (2d Cir. 1978)). *Accord, Frisch's Restaurants, Inc.*, 670 F.2d at 647 (The standard of proof needed to prevail in a §43(a) action for injunctive relief is a showing of "likelihood of confusion.").

In *Frisch's*, the Sixth Circuit adopted an eight factor test for determining whether there is likelihood of confusion: (1) the strength of plaintiff's mark; (2) relatedness of the goods; (3) similarity of the mark; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. 670 F.2d at 648. However, as the Sixth Circuit recently observed in *Wynn Oil Co.*, 839 F.2d 1183 (6th Cir. 1988):

> These factors are simply a guide to help determine whether confusion would be likely to result from simultaneous use of two contested marks. They imply no mathematical

> precision, and a plaintiff need not show that all, or even most, of the factors listed are present in any particular case to be successful.

839 F.2d at 1186.

The factor of defendant's intent, however, is critical, "'since if the mark was adopted with the intent of deriving benefit from the reputation of [the plaintiff], *that fact alone may be sufficient to justify the inference that there is confusing similarity.*'" *Frisch's Restaurants*, 670 F.2d at 648 (quoting *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 703-04 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982)) (emphasis in original). The rationale for this inference is set forth in *Little Caesar Enterprises, Inc. v. Pizza Caesar, Inc.*, 834 F.2d 568 (6th Cir. 1987):

> [A] defendant who purposely chooses a particular mark because it is similar to that of a senior user is saying, in effect, that he thinks that there is at least a possibility that he can divert some business from the senior user -- and the defendant ought to know at least as much about the likelihood of confusion as the trier of fact.

Id. at 572. Furthermore, direct testimony is not necessary to establish wrongful intent; it can be inferred from defendant's acts. *WSM, Inc. v. Tennessee Sales Co.*, 709 F.2d 1084, 1087 (6th Cir. 1983).

The instant case is somewhat unusual because there is direct testimony to establish defendants' intent. Mr. Montreuil testified without reservation that he purchased Holiday Inns' complementary number because he intends to derive benefit from Holiday Inns' reputation (as well as the reputation of other hotel chains for which he has purchased complementary numbers). At first blush,

this statement in and of itself would appear to be a fatal concession because "that fact alone be sufficient to justify the inference that there is confusing similarity." *Frisch's Restaurants*, 670 F.2d at 648 (citation and emphasis omitted). Nevertheless, defendants attempt to escape the legal consequences of this admission by pointing out that they are first required to be using plaintiff's mark or logo. If they have not done so, then the court need not reach the issue of likelihood of confusion.

The court agrees with defendants that, in a traditional sense, they have made no use of a Holiday Inns' registered mark or of any similar name or logo. That is, they are not holding themselves out as an entity under the Holiday Inns' umbrella. Moreover, defendants are not advertising a similar word or name to induce public confusion and cause consumers to reach the wrong party. *Cf. Dial-A-Mattress Franchise Corp. v. Page*, 880 F.2d 675 (2d Cir. 1989) (Defendant was enjoined from promoting a similar vanity number); *Murrin v. Midco Communications, Inc.*, 726 F. Supp. 1195 (D. Minn. 1989) (Plaintiff registered "Dial L-A-W-Y-E-R-S" as a service mark; court only enjoined defendant from using the similar vanity number while it continued to advertise that number); and *American Airlines, Inc. v. A 1-800-A-M-E-R-I-C-A-N Corporation*, 622 F. Supp. 673 (D.C. Ill. 1985) (Court stated that the wrongful conduct was not the use of the telephone number but instead the misleading advertisement of the similar vanity number in the airline company's yellow pages listing). In fact,

defendants engage in no meaningful advertising whatsoever.[7]

Nevertheless, the court concludes that the defendants are not only using plaintiff's mark in violation of the Lanham Act, but also that they are doing so in a most insidious and parasitic manner. From the consumer's standpoint, defendants' use is insidious because, while defendants have not created the confusion inherent in the use of vanity numbers, they have cleverly spread their net to capture the consumer at the very moment his confusion is manifested but not necessarily apparent. Although the defendants' recorded message initially advises the consumer that he has misdialed and has not reached Holiday Inns or any of its affiliates, the consumer is then immediately offered more options than he had originally thought possible. In other words, the consumer is no longer restricted to a reservation in Holiday Inns' rooms; he can also, without expending additional time to dial another number, receive immediate assistance to locate a room in another hotel chain, if necessary. At this point, the consumer's expectations appear not only to have been met but even to have been surpassed. To paraphrase Mr. Grubbs, the defendants' mission of "taking these lost souls and showing them the way to their door," [*see* Doc. 24, p. 15], seems to have been fulfilled.

However, a closer examination of the proof indicates otherwise. It indicates that the consumer does not always reach his desired destination nor does he reach it

---

[7] The paucity of defendants' advertising is reflected in Exhibit 3 to Mr. Montreuil's deposition [*see* Doc. 23].

for the same price. In particular, the evidence establishes that defendants do not have access to the same number of room types which would be available to a consumer through Holiday Inns' vanity number. Thus, a consumer may receive a room which does not fulfill his initial expectations because of this limitation in defendants' CRS. Moreover, the evidence establishes that a consumer will pay several dollars more for a room reserved by defendants through the complementary number than he would pay had he dialed Holiday Inns' vanity number. Finally, the evidence establishes that a consumer could be advised by one of defendants' employees that there is no Holiday Inns' room available in a particular city when a call to Holiday Inns' vanity number would indicate otherwise. This scenario could also result in the consumer paying more to stay in a competitor's hotel.

From Holiday Inns' standpoint, defendants' use of this complementary number is parasitic. The defendants derive benefit *solely* from Holiday Inns' reputation. In fact, defendants have no independent reputation. The consumer is not even aware of defendants' existence until after he has misdialed Holiday Inns' vanity number. If not for Holiday Inns spending millions of dollars on advertising each year, defendants would have no service whatsoever to provide to the consumer. For the defendants to be able to reap profits based solely on the advertising efforts and expenditures of others seems to be a clear violation of the spirit, if not the letter, of the Lanham Act. While the court agrees with defendants that Holiday Inns is losing business as a result of its inexplicable failure to purchase its complementary number, plaintiff's failure to do so does not provide defendants a basis to circumvent the clear mandate of the

Lanham Act. Defendants' use of plaintiff's mark involves more than the likelihood of confusion -- our present technology allows defendants to use plaintiff's mark in such a way that they can anticipate actual confusion with absolute accuracy and can profit accordingly. Defendants' nefarious use of plaintiff's mark must therefore be enjoined as it constitutes both trademark infringement and unfair competition.

An appropriate preliminary injunction has already been issued.

/s/
James H. Jarvis
UNITED STATES DISTRICT JUDGE

APPENDIX C

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
AT KNOXVILLE

HOLIDAY INNS, INC.,	)	
	)	
Plaintiff	)	
	)	
v.	)	No. 3:93-cv-
	)	0512
	)	
800 RESERVATION, INC.	)	
EARTHWINDS TRAVEL, INC.,	)	
d/b/a EARTHWINDS TRAVEL	)	
AGENCY, and CALL	)	
MANAGEMENT SYSTEMS, INC.	)	
	)	
Defendants	)	

[Entered June 17, 1994]

MEMORANDUM OPINION

This matter is presently before the court on the following motions:

1. Motion to modify preliminary injunction [Doc. 46] filed by defendants 800 Reservations, Inc. ("800 Reservations"), and Call Management Systems, Inc. ("CMS");

2. Plaintiff's motion for partial summary judgment [Doc. 60];

3. Motion to dismiss and/or for judgment on the pleadings and for summary judgment [Doc. 62] filed by CMS; and

4. Motion to dismiss or, alternatively, for summary judgment [Doc. 66], as amended [*see* Doc. 77], filed by 800 Reservations.

Argument was heard on May 13, 1994. For the reasons that follow, defendants' motions will be denied and plaintiff's motion will be granted.

I.

Motion To Modify Preliminary Injunction

On October 15, 1993, this court entered a preliminary injunction [Doc. 33] which prohibited the defendants, their officers, agents, servants, employees, and attorneys, and all persons in active concert or participation with them, from the following:

> 1. using the 1-800-H(zero)LIDAY telephone number;
>
> 2. using the "Holiday Inn" tradename, service mark, or distinctive features commonly associated therewith, any of them, any variation thereof, or any other name, mark, or feature confusingly or deceptively similar to the name "Holiday Inn" in connection with the advertising, promotion, display, distribution, offer for sale or sale of the products or services;
>
> 3. representing themselves to be connected with plaintiff or representing to the traveling public that when dealing with the defendants the public is dealing with plaintiff; and
>
> 4. injuring plaintiff's business reputation or otherwise interfering with its business.

[*See* Doc. 33, pp.1-2]. In their pending motion, defendants contend that the court should modify the preliminary injunction either by striking Paragraph 1 in its entirety or by allowing defendants to use plaintiff's complementary number as long as defendants play a recorded disclaimer to the confused caller.[1]

---

1 The disclaimer proposed by defendants would advise all callers as follows:

> Hello. You have reached Call Management Systems, Inc. If you intended to dial 1-800-HOLIDAY, you have dialed the wrong number. To reach 1-800-HOLIDAY, you must spell "Holiday" on the key pad by correctly dialing the letter "O" rather than the "Zero" key. If you wish to reach 1-800-HOLIDAY, you must hang up and redial the number correctly.
>
> Call Management Systems, Inc. is not affiliated, associated, connected with, or sponsored by Holiday Inns, Inc. If you are interested in airline, rental car, and hotel information and rates, Call Management Systems, Inc. will be happy to connect you with a travel agent.
>
> To be connected with an independent travel agent, please press "One." Again, to reach 1-800-HOLIDAY, you must redial the number correctly.
>
> If you wish to hear this recording again, please press "Two."
>
> Thank you.

[*See* Doc. 46, Ex. 1]. Defendants also propose that the following paragraph could be inserted at plaintiff's election:

[Footnote continued on next page]

In support of the first prong of its motion, defendants say that the court did not correctly analyze the facts of this case under the Lanham Act, specifically, 15 U.S.C. § 1125 (or as it is frequently referred to, § 43(a)). Defendants assert that this court did not need to look to a "violation of the spirit ... of the Lanham Act." [*See* Doc. 35, p.19]. Rather, the court should have only considered the letter of the law. If the court had done so, according to defendants, then the court would have held that defendants' use of plaintiff's complementary number did not violate the Lanham Act or, at the very least, would have fashioned a remedy more limited in scope than the blanket prohibition set forth in the preliminary injunction.

Defendants correctly point out that this court quoted from the pre-1989 version of § 43(a) rather than the amended version. While it is true that some language in the statute was changed in the amendment, it is equally true that the test remains the same, even after the amendment. In *Esercizio v. Roberts*, 944 F.2d 1235 (6th Cir. 1991), *cert. denied*, ___ U.S. ___, 112 S.Ct. 3028 (1992), the Sixth Circuit analyzed a trademark infringement action under the amended version of § 43(a) of the Lanham Act as follows:

[Footnote continued from previous page]

> The room rate and availability information you receive from a travel agent may not be the same as that which you would receive from 1-800-HOLIDAY.

[*See id.*, n.1].

> This court has held that in determining likelihood of confusion in a Lanham Act case, the court should consider the following factors: strength of the plaintiff's mark; relatedness of the goods; similarity of the mark; evidence of actual confusion; marketing channels used; likely degree of purchase or care; defendant's intent in selecting the mark; and likelihood of expansion of product lines. *Frisch's Restaurants, Inc. v. Elby's Big Boy,* 670 F.2d 642, 648 (6th Cir.), *cert. denied,* 459 U.S. 916, 103 S.Ct. 231, 74 L.Ed.2d 182 (1982). A party claiming infringement need not show all, or even most, of these factors in order to prevail. *Wynn Oil Co. v. Thomas,* 839 F.2d 1138, 1186 (6th Cir. 1988).

Id. at 1241-42. These are the same eight factors which this court employed, to the extent necessary in the context of this case, in its previous analysis. [*See* Doc. 35, p.15].[2]

However, because this case is one of first impression, all previous analyses of the Lanham Act, whether of the pre-1989 version or of the amended version, provide only a starting point for determining whether defendants in this case are violating § 43(a) of the Lanham Act. This case is unique because defendants undertake no act whatsoever to create the consumer's confusion. Rather, as this court previously observed, defendants are able to

---

[2] The court also notes that it relied on *Frisch's Restaurant* and *Wynn Oil Co.* in its earlier opinion [*see* Doc. 35, pp.14-16].

anticipate actual confusion by the consumer with absolute accuracy and are able to deftly place themselves in a position to profit from that confusion through the use of plaintiff's complementary number. As previously characterized by this court, defendants' use of plaintiff's complementary number is "parasitic." [*See* Doc. 35, p.19]. In support of this characterization, this court previously stated:

> The defendants derive benefit *solely* from Holiday Inn's reputation. In fact, defendants have no independent reputation. The consumer is not even aware of defendants' existence until after he has misdialed Holiday Inn's vanity number. If not for Holiday Inn spending millions of dollars on advertising each year, defendants would have no service whatsoever to provide to the consumer. For the defendants to be able to reap profits based solely on the advertising efforts and expenditures of others seems to be a clear violation of the spirit, if not the letter, of the Lanham Act.

[*See id.*]. Upon reflection, the court probably should have simply stated that defendants' parasitic use of plaintiff's mark is a violation of the Lanham Act -- period.

Furthermore, contrary to defendants' insistence, the court concludes that defendants' use of plaintiff's complementary number is unfair competition. There is nothing in the record to indicate that defendants are competing freely, fairly, or openly with plaintiff. To the contrary, defendants cannot compete with plaintiff because their very existence does not even come into being, from a consumer's standpoint, until a consumer has

misdialed plaintiff's vanity number. And that is the very reason that this court cannot embrace defendants' argument. Plaintiff's vanity number is based on its trademark and defendants' purchase of plaintiff's complementary number is a direct derivative use of plaintiff's mark. While the court agrees with defendants that they can provide an excellent service to both plaintiff and consumers because, in all likelihood, many of these consumers will not again dial Holiday Inn's vanity number upon receiving a busy signal, it does not follow that defendants can do so without plaintiff's permission because of the close nexus between plaintiff's mark and defendants' business. Thus, the court's opinion remains unchanged on this issue.

The second prong of defendants' motion to modify the preliminary injunction requests the court to consider the use of a disclaimer. In support of this request, defendants rely on *Home Box Office v. Showtime/The Movie Channel, Inc.* 832 F.2d 1311 (2d Cir. 1987). However, even that case recognizes that "there is a body of academic literature that questions the effectiveness of disclaimers in preventing consumer confusion as to the source of a product." *Id.* at 1315. Furthermore, there is no authority in the Sixth Circuit which requires this court to consider the impact, if any, of a disclaimer in the context of a Lanham Act violation. Absent such a requirement, and under the peculiar facts of this case, this court is not inclined to consider the use of a disclaimer by defendants. Again, the consumer is attempting to reach plaintiff, or one of its designated agents, by using plaintiff's vanity number. The court will not condone allowing defendants to "step into the shoes of" plaintiff in the mind of the consumer even for a brief second before the consumer is made aware of his mis-

take.[3] Therefore, the court will deny defendants' motion to modify the preliminary injunction in its entirety.

II.
Plaintiff's Motion For Partial Summary Judgment

In this motion, plaintiff requests the court to enter judgment as to defendants' liability and to therefore limit the trial of this matter to the nature of relief to be afforded plaintiff including, but not limited to, damages. However, it must be noted that plaintiff has stated causes of action for violations of the trademark laws of the State of Tennessee, as well as state claims for interference with perspective business advantage, unjust enrichment, and interference with business relationships. None of these latter causes of action were addressed in this court's previous memorandum opinion and order [*see* Docs. 35 and 36], so that plaintiff's motion for partial summary judgment on these causes of action is premature. On the other hand, this court has held that defendants' use of plaintiff's complementary number, under the undisputed facts of this case, is a violation of the Lanham Act. Thus, plaintiff's motion will be granted

---

[3] Again, the court is somewhat perplexed by Holiday Inn's refusal to allow defendants to answer the complementary number and play their proposed disclaimer and to salvage some of the lost business opportunity for plaintiff. Nevertheless, because of the strength of plaintiff's mark, the court views this as business for plaintiff to lose -- not for the defendants to usurp.

whereby the court will limit proof on this cause of action to the nature of relief to be afforded to plaintiff including, but not limited to, damages.[4]

III.
Motion To Dismiss And/Or For Summary Judgment By Call Management

In this motion, Call Management first contends that it has not engaged in any conduct or activities within the purview of the Lanham Act. In support of this prong of its motion, Call Management had filed the affidavit of its president, Albert H. Montreuil [*see* Doc. 64]. For the most part, Mr. Montreuil's affidavit confirms facts about which there is no disagreement. For example, he testifies that Call Management "has never advertised or publicized anything to do with Holiday Inns or its telephone number." [*See id.*, ¶ 9]. However, Mr. Montreuil's affidavit contributes nothing to the unique legal question presented by the undisputed facts -- whether Call Management's parasitic or derivative use of Holi-

---

4 Of some concern to the court is the speculative nature of plaintiff's damages. Based on the record to date, it would appear that defendants have actually assisted plaintiff in making profits it otherwise would have lost by redirecting "lost" customers to their doors. Furthermore, to the extent that defendants may have rerouted some of these consumers to competitors, the court is hard pressed to comprehend how plaintiff can prove that those customers may not have contacted plaintiff's competing hotels in any event. In other words, this case seems to be more one for injunctive -- rather than monetary -- damages.

day Inn's vanity number violates the Lanham Act. Furthermore, contrary to Mr. Montreuil's testimony, Call Management's services are "different from those which are offered by, and available from, ATT or any other 800 service provider." [*See id.*, ¶ 10]. According to Mr. Montreuil's testimony at the hearing on the preliminary injunction, Call Management intentionally selected this number in order to assist callers who had misdialed Holiday Inn's vanity number.

Call Management next suggests that this case should be dismissed because of plaintiff's failure to join an indispensable party. In particular, Call Management contends that Holiday Inn's franchisees and joint venturers should be made parties to this action. Call Management points out that the damages sought by plaintiff in this action may more accurately be the damages of its joint venturers and franchisees because they must pay a $3.80 transaction fee to the computer reservations system and a commission of 10% to the travel agent for rooms reserved in that manner, *i.e.*, through Call Management.

In considering this argument, the court initially observes that Call Management has cited no cases in support of this novel proposition. Furthermore, a review of the standard franchise agreement between Holiday Inn and its franchisees reflects that all rights to prevent infringement of Holiday Inn's marks are vested in the parent company. Specifically, ¶ 9 of that agreement provides as follows:

> The Licensee will not contest Licensor's unrestricted and exclusive ownership of the System or its rights to grant Licenses of the System. All improvements and additions whenever made to or associated with the System by the parties or anyone else, and all

> service marks, trademarks, copyrights, and service marks and trademark registrations at any time used, applied for or granted in connection with the System, shall inure to the benefit of and become the property of Licensor.
>
> Licensor will have the sole right and responsibility to handle disputes with third parties concerning use of all or any part of the System, and Licensee will, at its reasonable expense, extend its full cooperation to Licensor in all such matters. Licensor need not initiate suit against imitators or infringers and may settle any dispute by grant of a License or otherwise. Licensee will not initiate any suit or proceeding against imitators or infringers, or any other suit or proceeding to enforce or protect the System. Both parties will make every effort consistent with the foregoing to protect, maintain, and promote the name "Holiday Inn" and its distinguishing characteristics (and the other service marks, trademarks, slogans, etc., associated with System) as standing for the System and only the System.

[*See* Doc. 71, Ex. 1(a), ¶ 9]. Finally, it must be emphasized that, although Holiday Inn has a contractual right to prevent infringement of its marks and to sue for damages accordingly, it may very well be that the franchisees have no damages whatsoever. In fact, Holiday Inn's franchisees may be in a better position because of defendants' efforts in intercepting these misdialed numbers in that they will receive business as a result of defendants' efforts which may otherwise be lost. Thus, the

court cannot conclude that this case should be dismissed for failure to join indispensable parties.

Additionally, Call Management seeks summary judgment on its counterclaim in which Call Management basically seeks a declaratory judgment that the continued use of Holiday Inn's vanity number with its proposed disclaimer does not violate the Lanham Act or, in the alternative, that Call Management continue to use its telephone number "for any lawful business purpose other than for the reservation and booking of hotel and motel rooms." [*See* Doc. 44, p.14].[5]

For the reasons set forth in this Court's memorandum opinion granting plaintiff's motion for preliminary injunction [*see* Doc. 35], as further analyzed in this opinion, this court remains of the view that a disclaimer is not an appropriate mechanism to avoid the scope of the Lanham Act, except with plaintiff's permission. In this case, plaintiff chooses to resist Call Management's use

---

[5] With respect to Call Management's alternative counterclaim, the court is somewhat perplexed. Mr. Montreuil testified at the preliminary injunction hearing that the *only* reason the number in question was chosen was because of his experience with misdialed vanity numbers. In fact, that is the very reason Mr. Montreuil has purchased many other complementary numbers for other hotels. Based on the evidence before the court, there would be little value in using these numbers for any other legitimate business purpose, assuming that Call Management has another legitimate business use for these numbers.

of a disclaimer.[6] Thus, Call Management's motion must be denied in its entirety.

IV.

800 Reservations' Motion To Dismiss Or, Alternatively, For Summary Judgment

The arguments raised in this motion have previously been addressed and will not be repeated herein. For the reasons previously stated, this motion is also overruled in its entirety.

Order accordingly:

/s/
James H. Jarvis
UNITED STATES DISTRICT JUDGE

---

[6] Again, the court continues to be equally perplexed by plaintiff's resistance to Call Management's attempt to intercept these misdialed numbers when plaintiff will undoubtedly lose a high percentage of these potential customers to other hotel chains if these callers persist in receiving a busy signal instead of an operator or taped message.

APPENDIX D

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF TENNESSEE
AT KNOXVILLE

HOLIDAY INNS, INC.,	)
	)
Plaintiff	)
	)
v.	) No. 3:93-cv-
	) 0512
	)
800 RESERVATION, INC.	)
EARTHWINDS TRAVEL, INC.,	)
d/b/a EARTHWINDS TRAVEL	)
AGENCY, and CALL	)
MANAGEMENT SYSTEMS, INC.	)
	)
Defendants	)

[Entered Sept. 12, 1994]

MEMORANDUM OPINION

This action seeks injunctive relief and compensatory and punitive damages for infringement of service marks and unfair competition under the trademark laws of the United States, 15 U.S.C. §§ 1114 and 1125, and under the trademark laws of Tennessee, T.C.A. §§ 47-25-501, et seq. Plaintiff also alleges related state claims of inference with prospective business advantage, unjust enrichment, unfair competition, and interference with business relationships. Specifically, this action arises out of

defendants' use of a toll-free reservation number, 1-800-H[zero]LIDAY, *i.e.*, 1-800-405-4329,[1] which is similar to plaintiff's toll-free reservation number, 1-800-HOLIDAY, *i.e.*, 1-800-465-4329.[2] This matter came before the court on July 22, 1994, to determine the scope of the permanent injunctive relief to be afforded to plaintiff, and to determine the amount of damages, if any, to be entered in plaintiff's favor against one or more of the defendants.[3] For the reasons that follow, the preliminary injunction [Doc. 33] filed on October 15, 1993, will be converted into a permanent injunction and plaintiff will be awarded a judgment against defendant Earthwinds Travel, Inc. ("Earthwinds"), in the amount of $6,356.38.

---

1 This number will often be referred to as a "complementary number," consistent with the previous opinions of this court [*see* Docs. 35 and 80].

2 This number will sometimes be referred to as plaintiff's "vanity number."

3 To expedite the trial of this matter and to narrow the issues for appeal, the parties submitted an agreed pretrial order to the court on July 19, 1994 which, *inter alia*: (1) dismissed all of plaintiff's claims without prejudice contained in Counts 3 through 8 (all claims other than plaintiff's Lanham Act claims); (2) dismissed without prejudice Earthwinds' cross-claim; and (3) waived the parties right to a trial by jury only as to the damage claim. That order was filed on July 27, 1994 [*see* Doc. 90].

I.
Injunctive Relief

Plaintiff's initial request for injunctive relief has already been carefully considered by the court on two occasions. On November 15, 1993, the court filed a memorandum opinion [Doc. 35] which set forth its reasons for the issuance of the preliminary injunction a month earlier [*see* Doc. 33]. *See* Rule 65(d), Federal Rules of Civil Procedure; *see also* Rule 52(a), Federal Rules of Civil Procedure. The court revisited these same issues in considering defendants' motion to modify this preliminary injunction [see Doc. 46]. The court denied that motion on June 17, 1994 [*see* Doc. 81] and fully addressed defendants arguments in its accompanying opinion [*see* Doc. 80]. The court has now reconsidered all issues after reviewing the most recent round of briefs. The court has not been persuaded, however, to change its mind. As indicated during argument and for the reasons previously stated, the court will convert the preliminary injunction [Doc. 33] filed on October 15, 1993 into a permanent injunction. *See* 15 U.S.C. § 1116(a) (Supp. 1994).

Plaintiff also seeks to expand the scope of this permanent injunction by prohibiting defendants from transferring the complementary number to another entity, either "inside or outside the defendants' sphere of influence." [*See* Doc. 82, p.4]. Plaintiff's preference would be for the court to order defendants to transfer their rights in the complementary phone number to plaintiff. In the alternative, plaintiff offers three suggestions. First, the court could order defendants to relinquish any and all of their rights to the complementary number. Second, the court could prevent defendants from assigning the complementary number to a third party. Finally,

the court could order defendants to include a copy of this court's permanent injunction in any transfer so that the transferee would arguably be enjoined from using the complementary number by virtue of actual notice and the all-inclusive language of the permanent injunction.

Defendants contend that plaintiff's request to expand the scope of the permanent injunction approximately one week before the final hearing comes entirely too late. The court agrees. Furthermore, given the fact that this is a case of first impression, the court is extremely reluctant to order defendants to transfer or to relinquish their rights in the complementary number until the Court of Appeals for the Sixth Circuit (and, perhaps, the Supreme Court) has had an opportunity to consider the issues raised in this unique trademark case. The court will therefore not expand the scope of the injunction.

II.
Actual Damages

Plaintiff next seeks actual damages in the amount of $14,613.38. This figure represents $6,356.38 in commissions paid by plaintiff to defendant Earthwinds, and $8,257.00 in fees paid by plaintiff or its franchisees for each booking made by Earthwinds through Airline Reservation Systems ("ARS") in $3.80 increments. While defendants have stipulated that these amounts were paid [*see* Doc. 90, p.3], they do not agree that these amounts are proper damages within the scope of the Lanham Act, *i.e.*, 15 U.S.C. § 1117(a).

It is only fitting that the unique nature of this case would give rise to a unique request for damages. As previously noted, this is not the typical trademark case in which plaintiff is requesting that defendants' profits,

which resulted directly from defendants' use of its trademark, be disgorged. Rather, plaintiff seeks, in part, monies paid *directly* by it to defendant Earthwinds. The court agrees with plaintiff that commissions paid directly to Earthwinds are a proper measure of damages because Earthwinds would not have made the reservations with plaintiff and, consequently, these commissions, but for its parasitic use of plaintiff's mark through the complementary number. While it is true that plaintiff received a considerable amount of business from Earthwinds' services, it is also true that plaintiff would have received much of this business without Earthwinds' assistance if the consumer had again dialed Holiday Inn's toll-free reservation number and done so correctly. It is impossible, of course, to accurately ascertain what percentage of the callers would, after receiving a busy signal, have again called plaintiff's number and what percentage would have called plaintiff's competitors. But one fact is certain. Earthwinds only received consumer calls to process on plaintiff's complementary number because of plaintiff's advertising -- not because of defendants' advertising. Thus, the court described this use as "parasitic." If, as this court has previously held, defendants' parasitic use of plaintiff's complementary number is a violation of the Lanham Act, then it naturally follows that commissions paid by plaintiff to Earthwinds represent a proper measure of damages under the Lanham Act. To hold otherwise would be inequitable. *See* 15 U.S.C. §1117(a) (Supp. 1994).

Therefore, judgment will be entered in plaintiff's favor against Earthwinds in the amount of $6,356.38.[4]

The more difficult question regarding plaintiff's claim for actual damages concerns the $8,257 in fees paid by plaintiff or its franchisees for each booking made by Earthwinds through ARS in $3.80 increments. There is no proof in the record to indicate that this amount was paid directly to Earthwinds or to any other defendant. Rather, this fee appears to be one paid for use of the computer to process the reservation. In other words, it is part of the cost of doing business. And the business that plaintiff received from defendants' efforts was considerable. The parties stipulated that Earthwinds and defendant 800 Reservations, Inc., reserved or booked rooms at various Holiday Inns with a room rate value of $275,396 for the reservation period of June 1993 through August 1993 using plaintiff's complementary number [*see* Doc. 90, p.47]. Therefore, while equitable principles compel this court to award plaintiff damages in the amount of commissions paid directly to Earthwinds, these same principles also compel this court to award plaintiff no judgment against any of the defendants for these cumulative ARS fees in view of the substantial monetary benefits conferred on plaintiff through defendants' efforts.

---

[4] The court notes that Earthwinds paid $1,144.96 of this amount to 800 Reservations, Inc. However, plaintiff will not be awarded a judgment against 800 Reservations because plaintiff did not pay that amount directly to 800 Reservations.

III.
Treble Damages

Initially, plaintiff sought treble damages under both subsections of 15 U.S.C. § 1117 – subsection (a) gives the court discretion to award treble damages and subsection (b) mandates an award of treble damages. During argument, however, plaintiff judiciously agreed to drop its request for mandatory treble damages. Thus, the court need only determine whether the circumstances of this case are such that the court should treble the amount of the actual damages previously awarded pursuant to subsection (a).

In making this determination, the court is again confronted with the fact that this is a case of first impression. Nevertheless, plaintiff contends that this makes no difference. Plaintiff says that if defendants were confident that their use of plaintiff's complementary number did not violate the Lanham Act or any other law, then they should have filed a declaratory action and obtained a favorable judicial decision before using this complementary number. In an ideal world, perhaps this is so. It can also be argued with equal force that in an ideal world, plaintiff would have been endowed with sufficient vision to foresee the adverse consequences of its inexplicable failure to purchase the complementary number at issue. Under these circumstances, to award double or even treble damages would not only unjustly punish defendants for their creativity, but it would also reward plaintiff for its lack of business acumen. This the court will not do.

Plaintiff further contends that the court should award treble damages, in its discretion, because Call Management Systems, Inc. ("CMS"), intentionally, deliberately, and willfully utilized its trademark. In support of this

allegation, plaintiff relies primarily on the testimony of Douglas E. Slenk, which was introduced at the hearing for a preliminary injunction [*see* Doc. 27]. In his telephone deposition, Mr. Slenk stated that he dialed 1-800-HOLIDAY on August 4, 1993 at approximately 4:30 or 5:00 in the afternoon, and that the voice at the other end of the phone answered "Hello, this is C.J. from Holiday Inns." [*see id.*, pp.6-7]. Mr. Slenk further testified that he did not hear any type of recording when he dialed the number [*see id.*, p.7].

The court readily agrees with plaintiff that if any of the defendants or their agents, representatives, or employees were answering the telephones in the manner just indicated, or with words to that effect, then this act would constitute a clear violation of the Lanham Act. In fact, it would constitute an egregious violation of the Lanham Act. However, the court is hesitant to award treble damages on the basis of one isolated incident.[5] This is especially true when Mr. Slenk's testimony was presented by deposition without any chance for the court to observe the credibility of the witness. This comment is not meant to imply, of course, that Mr. Slenk is not a credible witness or that he has any motive to testify falsely. Furthermore, Mr. Slenk's testimony must be considered in conjunction with the testimony of Albert H. Montreuil, the president of CMS. Mr. Montreuil testified that it was "technologically impos-

---

5 The court is cognizant of plaintiff's near impossible task in locating anyone at all who could testify as to what occurred when he did not reach plaintiff or one of its franchisees through its vanity number.

sible" for a caller to receive a live telephone operator without first hearing a recording advising the caller that he had not reached Holiday Inns [*see* Doc. 21, Attachment B, p. 14]. Mr. Montreuil also testified that, assuming, *arguendo*, a consumer reached a live operator without first hearing the recorded message, then it would be impossible for the live operator to know which hotel chain the consumer was interested in reaching because 800 Reservations, Inc., was answering hundreds of calls by using several hotel chains' complementary numbers [*see* Doc. 23, pp.67-72]. In view of this apparent conflict in the testimony, therefore, the court will not, in its discretion, award treble damages in favor of plaintiff.

IV.
Attorney Fees

15 U.S.C. § 1117(a) allows the court to award reasonable attorney fees in "exceptional cases." It is well settled in the Sixth Circuit that the term "exceptional cases" means those cases in which the infringement was "malicious, willful, fraudulent, or deliberate." *Frisch's Restaurants v. Elby's Big Boy*, 849 F.2d 1012, 1017 (6th Cir. 1988) (citing Hindu Incense v. Meadows, 692 F.2d 1048,1051-52 (6th Cir. 1982)).

Here, plaintiff contends that there is clear evidence of defendants' willfulness. Specifically, plaintiff relies on the admission of Mr. Montreuil that he purchased plaintiff's complementary number because he intended to derive benefit from Holiday Inn's reputation (as well as the reputation of other hotel chains for which he has purchased complementary numbers). However, the court does not agree that it follows from that statement that Mr. Montreuil's intent to willfully use Holiday Inn's complementary number is also an admission that he

willfully infringed on plaintiff's trademark. As this court has observed on several occasions, this is not the typical case in which defendants are holding themselves out as a franchisee of Holiday Inn's, or that they are selling products which utilize one or more of Holiday Inn's trademarks. Such a case would scream for the imposition of attorney fees and treble damages.

While this court has described defendants' use of plaintiff's trademark as "parasitic," "nefarious," "insidious," and "intentional," the court has also observed that Mr. Montreuil "intends to increase profits for Holiday Inn . . . and he intends to provide a unique service to the public." [*See* Doc. 35, at p. 12]. While these statements may appear to be contradictory at first blush, a closer examination reveals otherwise. On the one hand, the court is impressed, from a business prospective, with defendants' ability to identify a group of consumers whose needs are obvious by their very identification. On the other hand, this court is of the opinion, from a legal standpoint, that defendants' creativity is constrained by the Lanham Act. However, the court cannot rule with absolute certainty on this issue of first impression because it may very well be that this conundrum spawned by our ever-increasing technology may be seen by others to escape the scope of the Lanham Act. The court will therefore award no attorney fees because, while the facts of this case may be exceptional, this is not an "exceptional" case in considering an award of attorney fees.

V.
Court Costs

For purposes of taxation of costs, the court hereby declares that plaintiff is a "prevailing party" within the meaning of LR 54.1, E.D. TN. (eff. Mar. 1, 1994). The court will not adjudicate plaintiff's request for specific costs at this time, but will require plaintiff to comply with all facets of that local rule.

ENTER JUDGMENT ACCORDINGLY.

/s/

James H. Jarvis
UNITED STATES DISTRICT JUDGE

APPENDIX E

UNITED STATES COURT OF APPEALS
FOR THE SIXTH CIRCUIT

HOLIDAY INNS, INCORPORATED, A TENNESSEE CORPORATION,	)	
Plaintiff-Appellee/ Cross-Appellant,	)	
v.	)	**ORDER**
800 RESERVATION, INC., ET AL.,	)	
Defendants-Appellants/ Cross-Appellees	)	

[Entered Aug. 29, 1996]

BEFORE: BOGGS and DAUGHTREY, Circuit Judges; and MCKEAGUE,* District Judge

The court having received a petition for rehearing en banc, and the petition having been circulated not only to the original panel members but also to all other active judges of this court, and no judge of this court having requested a vote on the suggestion for rehearing en

---

* Hon. David W. McKeague, United States District Judge for the Western District of Michigan, sitting by designation.

banc, the petition for rehearing has been referred to the original panel.

The panel has further reviewed the petition for rehearing and concludes that the issues raised in the petition were fully considered upon the original submission and decision of the case. Accordingly, the petition is denied.

ENTERED BY ORDER OF THE
COURT

/s/
Leonard Green, Clerk